

“We do not inherit the world from our ancestors.  
We borrow it from our children.”



**HINDUSTAN LEVER LIMITED**  
Report and Accounts 2002

## Our Corporate Purpose

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Our purpose in Hindustan Lever is to meet the everyday needs of people everywhere - to anticipate the aspirations of our consumers and customers and to respond creatively and competitively with branded products and services which raise the quality of life.

Our deep roots in local cultures and markets are our unparalleled inheritance and the foundation of our future growth. We will bring our wealth of local knowledge and international expertise to the service of our consumers.

Our long-term success requires a total commitment to exceptional standards of performance and productivity, to working together effectively and to a willingness to embrace new ideas and learn continuously.

We believe that to succeed requires the highest standards of corporate behaviour towards our employees, consumers and the societies and world in which we live.

This is Hindustan Lever's road to sustainable, profitable growth for our business and long-term value creation for our shareholders and employees.



Our approach to Corporate Social Responsibility (CSR) is rooted in the belief that “to succeed requires the highest standards of corporate behaviour towards our employees, consumers and the societies and world in which we live”.

Our growth and profitability are sustained by our adherence to our corporate purpose and to our code of business principles.

Our CSR philosophy is embedded in our commitment to all stakeholders - our consumers, our employees, the environment and the society that we operate in. It is this commitment we believe, that will deliver sustainable profitable growth.

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## Chairman's Letter

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### Dear Shareholders,

Economic growth in India had slowed to about 4% in 2002-03. This is below the 6% level of the late 90's and well short of the target of 8%. Consumer spending is gradually picking up in urban India but overall demand conditions continue to be difficult as the agricultural sector has actually declined by 3.1%, thus severely affecting rural demand. Competition is also intensifying in every category.

It is in this context that we had defined a new strategy in early 2001. Our results in 2002 have been encouraging in the face of a challenging market scenario. Net Profit (before exceptional items) has grown by over 11% to Rs. 1717 crores. More importantly, our operating margin has increased by 390 basis points resulting in an operating profit growth of 16.6%. Return on Net Worth continues to be high at 48%. Our overall performance is also

reflected in the increase of Economic Value Added (EVA) to Rs. 1236 crores from Rs. 1080 crores in 2001. A recent study done by B.T. – Stern Stewart has ranked HLL as the No. 1 in Market Value Added and in EVA.

Our strategy had identified three key thrusts with the overall objective of driving sustainable profitable growth. One key thrust was to drive growth by focusing on our Power brands. I am particularly enthused by our performance in Home and Personal Care (HPC) business. For the last three quarters now, the HPC business has recorded a growth of over 5% led by its power brands; and this in a market which declined by 3%. Going forward we continue to invest in our power brands through improved product quality as well as brand communication.

A second key thrust was to improve the profitability of our foods business. Our results in this area have been very good. Our gross margins in Beverages and Foods have improved by about 5% and we have significantly reduced our losses in Icecreams and Culinary Products. I believe our various food businesses are now much more “fit for growth” as they have the margin profile to sustain marketing investment.

Our third thrust was to secure the long-term future of non-FMCG businesses. After several moves in 2001, we divested the Seeds and Diversey Lever businesses during 2002. Over the last couple of years we have secured good value for our divestments while

ensuring a very good future for these businesses. Our portfolio is now very focused - 86% of our sales is the FMCG business and balance is largely Core Exports. This focused portfolio I believe will enable us to drive sustainable growth.

In addition we have continued to focus on operational efficiencies and cost reduction. The supply chain has been further strengthened to deliver improved customer service while simultaneously lowering costs. We have also leveraged Information Technology to move towards a shared services model. This has been implemented successfully in Beverages, where all our accounting is centralized in one location. We are now in the process of creating a national centre for Sales Accounting. We have also launched a comprehensive programme to improve customer service to a changing profile of trade - we call this the "HLL Way of Sales". Through this we are now able to leverage concern scale both in Modern trade and Rural India. We are also utilizing IT in our sales operations to drive secondary sales and improve our speed of response. Lastly and most importantly, we have continued our emphasis on building an Enterprise Culture through several initiatives like Coaching, 360 feedback, Open Job Postings and rigorous performance management. Hindustan Lever has yet again been nominated as the No. 1 Employer of Choice and we continue to attract the best talent. I believe building leadership and a culture of openness

is an important enabler for organizational excellence and we will continue to invest in building our rich human capital further.

As we look ahead, we are committed to driving growth through a steady delivery of innovations on our power brands that will truly delight the consumers. We are confident that we are strengthening our core capabilities in several areas as outlined above which will surely contribute to future growth and cost competitiveness.

We remain committed to delivering sustainable profitable growth that in turn delivers value to you. And to do this while benefiting all our other stakeholders – our consumers, our employees and the society at large. I firmly believe that "What is good for India is good for HLL". Integrating the key objective of financial performance with benefits to the larger society is our approach to sustainable profitable growth of your company.

With best wishes,



M.S. Banga

*Chairman*

“A business that makes nothing  
but money,  
is a poor kind of  
business.”

- Henry Ford





# Commitment to Society

We strive to be

a trusted corporate citizen

and, as an integral part of society,

to fulfil our responsibilities

to the societies and communities

in which we operate.

- From the HLL Code of Business Principles



## Commitment to Society

### Empowerment of Women

*Creating income -  
generating  
opportunities for women.*

**P**ROJECT SHAKTI, our rural initiative, seeks to empower underprivileged rural women by providing them the opportunity to generate income. But as importantly, what it provides them is newfound dignity and self-respect.

Supported by micro-credit, these women from Self Help Groups (SHG's) are HLL's rural direct-to-home distributors. This in turn helps us increase our reach, penetration and communication with rural consumers. This initiative has so far benefited women in 4750 villages in Andhra Pradesh, Karnataka & Gujarat touching about 7.5 million rural people. It has been widely supported by various developmental bodies and the government.

Our vision is to change the lives of women in one lakh villages by making them Shakti dealers. This provides economic opportunities for the underprivileged while creating a distribution and communication channel for our brands to access untapped rural markets with a consumer base of over 100 million rural Indians.

### Rehabilitation

*Helping the underprivileged and  
specially challenged children  
lead a normal life.*

**A**SHA DAAN in Mumbai is a home for the poorest of the poor. Managed by the Missionaries of Charity, it is actively supported by and operates from premises given by us. It has been home to over 20,000 people since 1976. It provides care and compassion as well as food, shelter and medication to the homeless, sick, infants and HIV+ve patients.

Our projects - ANKUR in Doom Dooma Plantations - Assam, KAPPAGAM and ANBAGGAM in our Tamil Nadu plantations are aimed at physically and mentally challenged children. The projects provide educational, therapeutic, vocational and recreational inputs which help the children to be self-reliant and engage in some fruitful occupation.

Our projects have been widely appreciated and ANKUR has also received the Lawrie Group Worldaware Award for Social Progress from HRH Princess Royal in London.





## Relief and Reconstruction

*Rebuilding lives –  
reconstructing  
an entire village.*

**T**he earthquake in Gujarat in 2001 was devastating, affecting many people and also our factory at Kandla. The immense magnitude of the tragedy provoked us to extend help beyond our own operations in Kandla and we chose Nani Chirai, a completely wrecked village in Kutch district, for reconstruction.

We built YASHODADHAM with the help of NGOs and the villagers, with our financial assistance and our managers implementing the project on site. Spread over 26 acres, this new village is fully equipped with piped water, sanitation, underground drainage and electricity. It also has a school, a playground and a community centre. In Yashodadham, we have gone beyond financial help into active involvement in the design and construction of the new village.

Yashodadham is today a vibrant rural community with happy people secure in the comfort of their new homes. Responding when a community is in adversity, we believe, is the duty of a good corporate citizen.

## Integrated Rural Development

*Improving  
the quality of life  
in backward areas.*

**P**roviding development opportunities in backward areas is an important part of our philosophy. 28 of our plants are located in the most underdeveloped regions of India spread across 11 political states. Apart from providing local employment we have also made efforts in the development of surrounding villages through our INTEGRATED RURAL DEVELOPMENT (IRD) program.

Communities in over 500 backward villages adjacent to our plants in locations like ETAH and ORAI in Uttar Pradesh, have benefited through IRD. Our initiatives span adult literacy, animal husbandry, modern farming, infrastructure development, education and medical care.

IRD is also an integral part of our Business Leadership Training Program, enabling every trainee to get an in-depth understanding of rural lifestyles, conditions, opportunities and challenges. Our involvement through this has made all our managers more sensitive to the needs and aspirations of rural India.

“ Conservation is humanity caring for the future.”

- Nancy Newhall





# Commitment to Environment

We are committed to

making continuous improvements

in the management of our

environmental impact and to

the longer term goal of developing

a sustainable business.

- From the HLL Code of Business Principles



## Commitment to Environment

### Energy Management

*Conserving energy  
through innovative thinking  
and efficient process.*

**O**ur efforts focused on energy conservation as well as use of renewable energy have resulted in a reduction of our energy consumption by 61% since 1996. It has also led to a 58% reduction of emission of Green House gases.

We have taken several initiatives including process redesign, fuel substitution, rationalizing equipment and productivity improvement. We have deployed new technologies to optimize electrical energy inputs and heat recovery while plugging atmospheric energy losses. This has reduced the global warming potential as well as saved energy.

Our Energy Management and conservation efforts are based on the 5R principle - Reduce, Reuse, Recycle, Recover and Renew. Our focus on energy reduction is beneficial both from an environmental viewpoint and also from the point of view of cost saving for the company.

### Sustainable Agricultural Initiatives

*Ensuring long-term access  
to raw materials and reducing effects  
of modern farming.*

**W**e aim to meet the needs of the present without compromising on the ability of the future generations to meet their own needs. Our Sustainable Agriculture projects in our tea plantations in Assam and South India work with the objective of ensuring continued supply of tea with higher productivity, better quality and with environmental and social benefits for all involved.

As part of the project, 2000 MT of vermi-compost made from agricultural waste is produced in our plantations. Experiments are under way to study the scope of use of bio-fertilizers with an aim to reduce inorganic fertilizers by 50%. We have also published booklets on Good Agricultural Practices for the benefit of the Tea Industry and the environment at large.

Sustainable Agriculture that ensures economic growth, environmental protection and social progress is a key element of our plantation operations.



## Watershed Management

*Countering  
water scarcity through  
water harvesting.*

Our Khamgaon soap factory is located in a dry and arid region of Maharashtra with limited rainfall. 6 years back, we started a pilot on WATERSHED MANAGEMENT in order to prevent soil degradation and conserve water. Our efforts have resulted in the creation of a green belt which is the only visible green belt in the area on satellite pictures.

Details of the effort have been documented in a booklet "Greening Barrens" for adoption by industry and government bodies on a large scale. Encouraged by this success, we have started Watershed Management in villages near our unit. The programme is also being extended to our other factories.

Improving availability and utilisation of scarce water resources is a national priority to which we are committed to contribute.

## Pollution Control

*Reducing  
the environmental impact  
of our operations.*

Pollution control is integral to our manufacturing sites. The performance of our units is well ahead of statutory norms in the 6 critical pollution parameters - Chemical Oxygen Demand (COD), Nonhazardous and Hazardous Waste, Boiler Emissions, Energy and Water Usage. We have achieved significant reductions in each of the parameters - for instance in last 3 years, our COD has reduced by 30% and Boiler Emissions by 34%.

We have applied upgraded technology to recycle effluent water after treatment and 70% of our sites are now zero liquid discharge sites. We have reduced our ground water consumption by over 50%. Reverse Osmosis Plants and Solar Evaporation Ponds further our efforts in this area.

Wherever we operate, our objective is to maintain the environmental balance and minimising pollution is thus a key priority for us.



“ A business exists because the consumer is willing to  
pay you his money. You run a business to satisfy  
the consumer. ”

- Peter F. Drucker



# Commitment to Consumers

We are committed to

providing branded products

and services which consistently

offer value in terms of price

quality, and which are safe

for their intended use.

- From the HLL Code of Business Principles



## Commitment to Consumers

### Consumer Safety

*Strengthening  
trust through  
product safety.*

**We** are committed to ensuring that all our products are safe for our consumers to use. Our safety assurance efforts start right from the design stage and include a full assessment of toxicity from all elements of product and packaging.

The assurance process spans the entire supply chain - raw materials, manufacturing, packaging, storage, handling and distribution. Product contamination is kept in check by applying the Hazard Analysis Critical Control Points Technique. Our products, besides in-house appraisal, undergo regular market-place sampling and testing by recognized laboratories against national and international standards for Consumer Safety.

The trust reposed in our brands by our consumers is paramount and our focus on product safety is one way of maintaining this trust.

### Product Quality

*Compromising  
on nothing  
for absolute quality.*

**HLL's** brands are household names and used by millions of consumers all over India. We have built our brands through our understanding of consumers and a total commitment to quality.

Our facilities, processes and products are rigorously tested and approved to conform to the highest quality standards. Our world-class R&D, innovation, production, and distribution facilities ensure the best out turn of products and services. We pick our products from the market-place and measure on-shelf quality and product performance. This serves as a critical feedback loop for improvement throughout our supply chain. At 26 of our sites, we have implemented TPM (Total Productive Maintenance) and by 2004 all our strategic sites will be pursuing TPM.

We have already moved from "Quality Control" to "Quality Assurance". This for us, is an important step to move from detecting and correcting problems to taking action so that problems do not occur.





## Protection from Counterfeiting

*Safeguarding  
consumer interests  
against substandard counterfeits.*

**C**ounterfeit products not only cheat the consumer but also evade taxes and thus cheat the government. Our efforts in consumer protection extend to our action against counterfeiters. Our in-house investigation department and external agencies are dedicated to identifying and taking action against counterfeiters and look-alike product manufacturers.

Our activities stretch beyond our singular interests and encompass the entire industry. We endeavour to spread awareness about various provisions of law and the harmful effects of buying substandard products by publishing booklets and by interacting with various consumer guidance organizations.

We conduct over a hundred raids on counterfeiters and seize goods worth several crores every year. It is our aim to mobilize more resources towards these efforts as we believe counterfeit products are harmful to consumers and society at large.

## Responsible Advertising

*Committed  
to responsible advertising  
and communication.*

**O**ur responsibility towards our consumers extends beyond the delivery of quality products. It reflects in the product communication as well. We strive to blend consumer insight, creativity and sensitivity in all our messages.

All communication is subjected to numerous surveys and tests by consumers through rigorous market research. We also follow a strict claim support procedure that ensures sound technical justification for our claims.

As one of the founder members of the Advertising Standards Council of India (ASCI), we follow its Code in earnestness. In exceptional cases, where there is a valid complaint about our advertisements we have been quick and responsible to withdraw the advertising.

We aspire to create advertising that enhances the value of our brands and is sensitive to the social and cultural sentiments of people.

“ If you want one year of prosperity,  
grow grain.

If you want ten years of prosperity,  
grow trees.

If you want a hundred years of prosperity,  
grow people. ”

- Chinese Proverb





# Commitment to Employees

We will recruit, employ and promote

employees on the sole basis of qualifications

and abilities.

We are committed to safe and healthy working

conditions for all employees.

We are committed to working with employees to

develop and enhance each individual's skills and

capabilities.

- From the HLL Code of Business Principles



## Commitment to Employees

### Employee Safety

*Aiming  
to prevent injuries  
and occupational ill health.*

**S**afety and health of employees is of paramount importance to us. We have instituted a framework modelled on international OHSAS standards for Employee Safety. Our Accident Frequency Rate of 0.07 per 1,00,000 man-hours worked is one of the lowest in the Unilever world.

Project Dialogue - the bottom-up program in our factories - has yielded impressive behavioural and attitudinal changes through improved involvement, awareness and skill orientation right up to the first layer of workmen. Several other initiatives like generating new safety ideas every week, daily safety audits of work permits, induction training of contract employees, etc. help in building safety consciousness among employees.

We are embarking on a major initiative that will help us inculcate behavioural safety deeper. This will stretch safety beyond the workplace and into the employees' personal lives. Ensuring the safety of all who work for us in all our locations is one of our primary responsibilities.

### Employee Health

*Caring for  
employee health  
and their families.*

**O**ccupational health is a prime focus of our welfare management efforts. We approach healthcare for all our employees and their dependants in a holistic manner. We run 12 full-fledged hospitals with modern facilities and provide basic medical care at all our units through occupational health centres.

The key elements of our efforts are health risk assessment, ergonomic assessment and health care interventions. This is complemented by periodic medical examinations of all our employees. We have started fitness centers and are also providing lifestyle and nutritional counselling.

All our major units are resourced with an Occupational Health Expert. Good occupational health practices, we believe, improve employee morale and productivity and our efforts in this area truly reflect our core value of Caring.



## Training and Development

*Making training  
an integral part  
of human resource development.*

**W**e have always accorded high priority to employee training both in the classroom and on-the-job. Training is imparted across all levels of employees. It spans leadership development, coaching for performance, building competencies for managers and skill profiling as well as behavioural coaching for the staff and workers.

Learning Centers at our units are supported by several training courses. We provide professional learning opportunities to select employees through our tie-ups with IIM Ahmedabad, IIM Bangalore, NITIE and ISB Hyderabad. Our world class training facilities "Gulita" in Mumbai and "Nalanda" in Bangalore are dedicated to courses for enhancement of professional skills and leadership. Key managers attend international training programs to enhance their competencies and skills in line with global standards.

We strive relentlessly to improve the capabilities of our people so that we continue to deliver outstanding results while adding to the skills of those who work for us.

## Growth Opportunity

*Placing  
potential business  
leaders on the fast track.*

**O**ur success is based on our ability to nurture and develop talent to build high quality functional and business leaders. 20% of our management cadre has risen from different non-management staff and clerical positions.

An Open Job Posting System allows managers to apply for jobs in line with their own aspirations and goals. Simultaneously, internal appraisal and effective talent tracking mechanisms like development listing, ensure that the right person gets the right opportunities. Several of our managers are seconded to Unilever positions overseas. We are proud that we are seen as a warehouse of talent by Unilever and the world at large.

Developing business leaders of tomorrow is a key philosophy embodied in all our HR initiatives. We provide opportunities to performers who exhibit potential to occupy higher positions and take pride in our culture of meritocracy.



“ Our belief is that nothing can be greater than a business,  
however small it may be, that is governed by a conscience  
and that nothing can be meaner or more petty  
than a business however large, governed without honesty and  
without brotherhood. ”

- The First Viscount Leverhulme



# Reiterating our Commitment...

We take our commitment to the society, the environment,  
our consumers and our employees seriously.

And this supports and reinforces our growth and profitability  
which in turn strengthen our ability to contribute to the society.

At Hindustan Lever Limited, corporate social responsibility  
and profitable growth co-exist.

This we believe, is a conscious and mature understanding of a  
progressive business model and not a choice that should be made.

We aim to fulfil our financial commitment to our shareholders as well as  
our social and environmental commitment.

These are the multiple responsibilities that we continue to take upon ourselves,  
to achieve and sustain profitable growth while never compromising  
on our social, environment and consumer commitment.



## Board of Directors and Management Committee

M.S. Banga  
Chairman



M.K. Sharma  
Vice Chairman



A. Narayan  
Director



V. Narayanan  
Director



D. S. Parekh  
Director



C. K. Prahalad  
Director



S. Ramadorai  
Director



G. Singh  
Director - Human Resource,  
Technology & Corporate Affairs



D. Sundaram  
Director  
Finance



A. Weijburg  
Director  
Detergents



A. S. Abhiraman  
Executive Director  
Research



A. Adhikari  
Executive Director  
Personal Products



S. K. Dhall  
Executive Director  
Plantations



G. Kapur  
Executive Director  
Foods



A. K. Mathur  
Executive Director  
Chemicals, Agri &  
Speciality Exports



J. H. Mehta  
Executive Director  
Ice Creams



S. Ravindranath  
Executive Director  
Beverages



D. Sehgal  
Executive Director  
New Ventures and  
Marketing Services



#### COMPANY SECRETARY

O.P. Agarwal

#### AUDITORS

A.F. Ferguson & Co.  
Lovelock & Lewes

#### SOLICITORS

Crawford Bayley & Co.

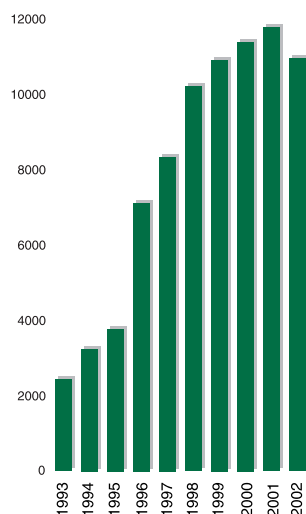
#### REGISTERED OFFICE

Hindustan Lever House  
165/166, Backbay Reclamation  
Mumbai 400 020

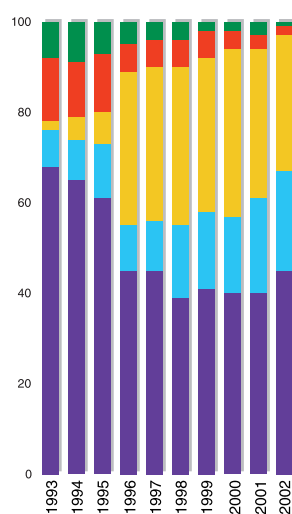
#### BANKERS

- State Bank of India
- Standard Chartered Bank
- Citibank N. A.
- Hongkong & Shanghai  
Banking Corporation
- Bank of America
- Deutsche Bank
- ABN-AMRO Bank
- Punjab National Bank
- Corporation Bank
- HDFC Bank
- ICICI Bank

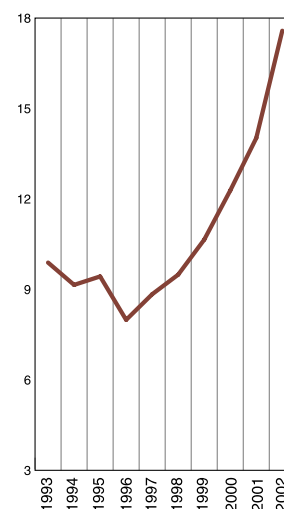
## Performance Trends 1993-2002



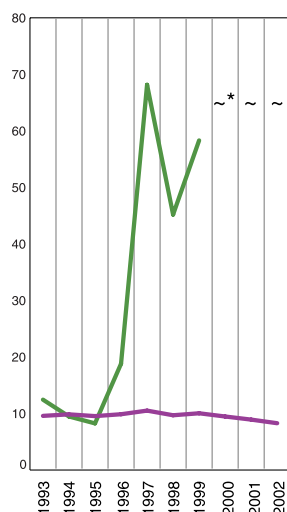
Sales  
(Rs. Crores)



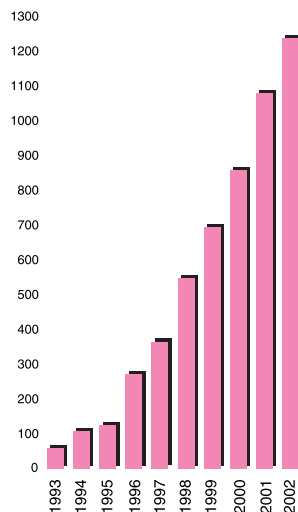
By Segment as % of Sales



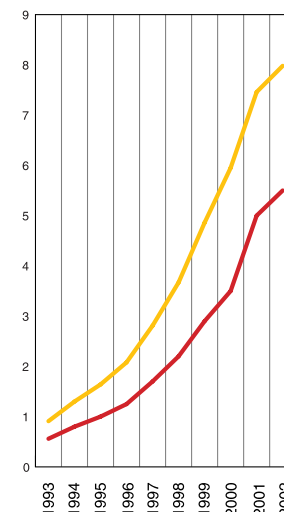
EBIT as % of Sales



Asset Turnover



Economic Value Added (EVA)  
(Rs. Crores)



Earnings & Dividend per Shares  
(Rs.)

	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
# Sales (Rs. Crores)	2,436	3,240	3,775	7,120	8,343	10,215	10,918	11,392	11,781	10,952
<b>By Segment % of Sales</b>										
Soaps, Detergents & Household Care	68	65	61	45	45	39	41	40	40	45
Personal Products	8	9	12	10	11	16	17	17	21	22
Foods	2	5	7	34	34	35	34	37	33	30
Chemicals, Agri, Fertilizers & Animal Feeds	14	12	13	6	6	6	6	4	3	2
Others	8	9	7	5	4	4	2	2	3	1
EBIT as % of Sales	9.9	9.2	9.4	8.0	8.8	9.5	10.7	12.3	14.0	17.6
Fixed Assets Turnover (times)	9.6	9.9	9.5	9.9	10.5	9.7	10.0	9.5	8.9	8.3
Working Capital Turnover (times)	12.5	9.5	8.3	18.8	68.2	45.2	58.3	~*	~	~
Economic Value Added (EVA) (Rs. Crores)	60	107	126	272	365	548	694	858	1,080	1,236
E.P.S. of Re. 1 @	0.91	1.30	1.64	2.08	2.81	3.67	4.86	5.95	7.46	7.98
D.P.S. of Re. 1 @	0.56	0.80	1.00	1.25	1.70	2.20	2.90	3.50	5.00	5.50
PAT / Sales (%)	5.2	5.9	6.3	5.8	7.0	8.2	9.8	11.5	13.1	15.7
R.O.C.E. (%)	49.9	48.5	49.1	52.9	61.1	58.7	61.8	64.6	62.4	59.4
R.O.N.W. (%)	33.0	35.3	37.5	41.6	46.0	48.9	50.9	52.7	53.9	48.0

# Sales before excise duty.

@ Adjusted for bonus issue.

\* Denotes working capital is negative.

# Report of the Directors and Management Discussion & Analysis

## 1. PERFORMANCE OF THE COMPANY

### 1.1 Results

Your Company's performance during 2002 is summarised below :

Rs. Lakhs

	2002	2001
Gross turnover	10951,61	11781,30
Turnover, net of excise	9954,85	10667,56
Profit before tax	2197,12	1943,37
Tax on profits	(479,85)	(402,42)
Exceptional Income	38,42	100,36
Net profit	1755,69	1641,31
Taxation adjustments of previous years	14,05	(1,01)
Dividend (incl. tax on distributed profits)	(1210,68)	(1158,31)
Transfer to General Reserve	(177,00)	(165,00)
Profit & Loss Account balance carried forward	1198,16	759,98

### 1.2 Key Ratios

The underlying performance can be ascertained from the following key ratios :

	2002	2001
Earnings per share (Rs.)	7.98 (per share of Re. 1/- each)	7.46 (per share of Re. 1/- each)
Dividend per share (Rs.)	5.50 (per share of Re. 1/- each)	5.00 (per share of Re. 1/- each)
Return on Net Worth (%)	48.0	53.9

### 1.3 Turnover

Gross turnover for the year decreased by 7% and net turnover decreased by 6.7% primarily due to discontinuation of non value added traded exports and business disposals. The sales of products in different categories, net of excise, appears below :

Rs. Lakhs

	2002		2001	
	Sales	Others*	Sales	Others*
Soaps, Detergents and Scourers	4367,54	17,64	4160,04	10,67
Personal Products	2069,72	25,63	2047,81	5,86
Beverages	1226,73	5,30	1414,27	4,55
Foods	714,19	31	794,20	—
Ice Creams	105,90	1,35	143,28	5,29
Exports	1256,05	—	1750,62	—
Others	214,72	33,37	357,34	27,79
Total	9954,85	83,60	10667,56	54,16

\* Other revenue represents service income from operations, appropriated to the relevant businesses.

### 1.4 Summarised Profit and Loss Account

Rs. Lakhs

For the year ended 31 December	2002	2001	Rate of growth %
Net sales	9954,85	10667,56	(6.7)
Other income	384,55	381,79	0.7
Total income	10339,40	11049,35	(6.4)
Operating expenses	(7999,00)	(8953,57)	(10.7)
PBDIT	2340,40	2095,77	11.7
Depreciation	(134,10)	(144,66)	(7.3)
PBIT	2206,30	1951,11	13.1
Interest	(9,18)	(7,74)	18.6
Profit Before Taxation (PBT) and exceptional items	2197,12	1943,37	13.1
Taxation : Current tax	(458,94)	(397,69)	15.4
Taxation : Deferred tax	(20,91)	(4,73)	342.1
Profit After Taxation (PAT) and before exceptional items	1717,27	1540,95	11.4
Exceptional items (net of tax)	38,42	100,36	(61.7)
Net profit	1755,69	1641,31	7.0

## 2. RESPONSIBILITY STATEMENT

The Directors confirm :

- that in the preparation of the annual accounts, the applicable accounting standards have been



followed and that no material departures have been made from the same;

- b) that they have selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profits of the Company for that period;
- c) that they have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- d) that they have prepared the annual accounts on a going concern basis.

### 3. CORPORATE GOVERNANCE

Certificate of the auditors of your Company regarding compliance of the conditions of Corporate Governance as stipulated in Clause 49 of the listing agreement with stock exchanges, is enclosed.

Your Company has been practicing the principles of good corporate governance over the years.

The board of directors supports the broad principles of corporate governance. In addition to the basic governance issues, the board lays strong emphasis on transparency, accountability and integrity.

### 4. MANAGEMENT DISCUSSION AND ANALYSIS (MD&A)

Based on feedback from members on the Report and Accounts for the year ended 2001, this Report includes MD&A as appropriate so that duplication and overlap between Directors Report and a separate MD&A is avoided and the entire material is provided in a composite and comprehensive document.

### 5. PRODUCT CATEGORIES

During the year the export business of the Company was reorganized into three distinct categories viz., HPC Exports, Beverages Exports and Speciality Exports. HPC Exports and Beverages Exports have now been closely aligned and integrated with domestic Personal Products and Beverages businesses respectively to leverage on supply chain synergies and other benefits arising from this re-alignment. This report deals with exports based on the revised alignment.

#### 5.1 Home and Personal Care Business

##### 5.1.1 Soaps & Detergents

The Soaps and Detergents business had a good year against a backdrop of sluggish growth in the economy and down trading. As in 2001, most categories saw shrinking markets and price discounting. Overall, soaps & detergents market as reported by ORG declined by 3.9%. There were signs of some recovery in the latter half of the year.

The business succeeded in outperforming the declining market in all categories to achieve sales growth of 5% driven by focus on Power Brands.

Some highlights of 2002 brand performance are :

- Lux and Lifebuoy recorded strong double digit growth from consumer value enhancing relaunches. The respective market shares have improved by 2.4% and 2.0% to reach 15.7% and 14.1%. This is the highest ever market share in the past three years.
- Liril icy cool was launched with excellent consumer response and the Liril franchise recorded double digit growth during the year. Hamam was relaunched in the second half of the year with a focussed regional strategy and enhancement in quality.
- Wheel continues to surge ahead with significant improvement in profitability and it has become the market leader in its category.



- The Rin franchise came under pressure from low end competition. The business has lined up aggressive growth plans for the brand through value correction and innovation.
- The Surf franchise performed well in a declining market; significant re-engineering of the brand architecture has been initiated to further strengthen its value perception. We expect that these efforts to yield good growth.
- Vim and Domex have performed exceedingly well driven by Vim relaunch in early part of the year and strong activation in Domex.

Operating margins improved over last year despite a significant hike in raw material prices and increased investments in quality and advertising. Lower than expected oilseeds production resulted in a sharp 60% increase in average oil prices compared to 2001. Strategic buying in key oils, use of alternative materials, focussed cost effectiveness programmes, global buying synergies and effective price management have helped to mitigate the effect of cost increase.

A major supply chain IT initiative, Project Leap undertaken in 2001 has been fully implemented and stabilized in 2002. Benefits envisaged under this project have been fully achieved with significant increases in stock service levels at distribution centres. Redistribution Stockists contributing to over 80% of sales have been electronically connected thereby facilitating replenishment based servicing at the front end of supply chain.

The new manufacturing plants commissioned last year are performing well and related supply chain and tax benefits are fully being realised. Technology upgradation has been successfully implemented to lower the cost of production, improve quality and launch new innovations. Total Productive Maintenance (TPM) initiatives commenced in 2001, were successfully rolled out across key manufacturing locations in the business. Focus on safety and environment and increasing its awareness amongst employees and associates are continuing.

### **Vasishti Detergents Limited (VDL)**

VDL continued to produce soaps and detergents for the Company. VDL now converts raw materials and packaging material provided by HLL into finished goods for which receives a conversion/processing charge. This has reduced the investment in working capital by VDL.

### **SC Johnson Products Pvt. Ltd. (Formerly Lever Johnson (Consumer Products) Pvt. Ltd.)**

The Scheme of De-merger of the above Joint Venture (JV) company splitting up of its product portfolio became effective from October 1, 2002. As per the Scheme the insect control and aircare business is retained with SC Johnson and the disinfectants business comprising DOMEX range of household care products has been transferred to TOC Disinfectants Limited, a subsidiary of your Company. It is intended that JV partner SC Johnson will assume leadership role for insect control and aircare business while your Company will assume leadership for household care products. The two JV partners continue to have equal holding in the company.

### **5.1.2 Personal Products**

During 2002 Personal Products recorded low growth in the context of a flat to declining market in many of the categories. The year was marked by focus on innovation and activation of the core brands and investment in strengthening their equity.

The Skin Care category had a very good year with Fair & Lovely performing well for the second year in succession. The gains from innovations of 2001 were consolidated and the brand was extended into herbals and naturals area with the launch of Fair & Lovely Ayurvedic Cream. The sachet pack grew well and led to increased penetration of the brand particularly in rural areas. The Skin range of Lakme was extended with several innovative products including a strawberry cream and an anti-ageing product. The Vaseline brand was extended to the foot care areas offering effective relief for cracked heels in an innovative product form.



In the Oral Category, the toothpaste market showed both volume and value decline over the previous year. There was also increased competition from low priced brands. Within this challenging market situation, Pepsodent gained market share, while Close-up declined marginally. Towards the end of the year a new lime-mint variant of Close-up was launched with an encouraging initial response.

In the Hair Category, the shampoo market saw the growth of low priced sachets at Re.1 and 50 p. Our leading brands, Sunsilk and Clinic have extended into these new price points and are expected to do well leading market growth in rural areas. These brands now operate across the entire spectrum of shampoo sachets and bottles. The Clinic Plus brand was relaunched in the second half of the year with a new pack design and improved product. Shampoo bottles have performed well after the introduction of extra value packs across the entire range.

In the Deodorants Category, focus was on Axe and Rexona. Axe brand was extended to male toiletries including Talcum Powder and Shaving Products. Rexona strengthened its positioning on long term deodorant efficacy backed by delivery and advertising.

Colour Cosmetics category saw product and packaging improvements and many innovations on both Lakme and Elle 18 – this included a well received range of new colours based around the Lakme India Fashion Week.

Focus on cost reduction continued; significant progress was achieved across all parts of the business. The new Personal Products Factory in Doom Dooma, Assam which was commissioned during 2001 reached high levels of operating efficiency in 2002 despite the complex logistics involved in this operation.

#### **Indexport Ltd.**

Indexport Limited which is a 100% subsidiary of your Company continued its focus on oil category. Nihar brand was strengthened and extended with growth in the Amla Oil and Perfumed Variants.

#### **Kimberly Clark Lever Ltd.**

The joint venture between Kimberly Clark and Hindustan Lever performed well. It continues to be a market leader

in diapers for infant care and has made satisfactory progress in sanitary napkins for feminine care.

#### **5.1.3 HPC Exports**

Despite difficult market conditions in our key export markets in 2002, Home and Personal Care Exports business registered a growth of 6.4%.

Personal Wash volumes more than doubled and has been a key driver for growth, led by steady increases in Lux and Lifebouy business to the Middle East and Africa.

Marketing initiatives in Personal Wash products under the Pears brand has fared well and operations have commenced in the UK & Middle East besides the US. In the US, the business has been successful in getting listings from key retail chain stores. Aggressive plans are being progressed for entry into other markets with a whole “new look” Pears range supported by strong functional claims.

Based on manufacturing cost bench marking studies across Unilever globally, your Company has emerged to be one of the most competitive home and personal care products production centres globally and this has resulted in the Company securing trial orders to service the Unilever European market requirements of toothpaste. The process of meeting the various customer and regulatory requirements and expanding the customer base for supply of toothpaste to Europe is underway.

Skin Care exports have achieved a 14% increase in volumes, driven largely by innovation and new launches on the Fair and Lovely and Dove range. The business is working on several new projects in the Skin Care segment under the Dove brand and is confident of successfully driving growth in the future on this platform.

The service levels to our export customers have been significantly enhanced with an IT based system which provides for web enabled tracking of orders.

#### **Nepal Lever Limited**

Your Company's subsidiary in Nepal which predominantly operates in HPC categories performed well in the domestic market of Nepal with sales growth of 25%. However



exports to India were adversely affected by, levy of countervailing duty with reference to Maximum Retail Price of products consequent to change in Indian legislation and non-availability of benefits of credit for duty paid on inputs sourced from India. The Company achieved a turnover of Nepalese Rs. 123,61 lakhs for financial year ending July 16, 2002.

## 5.2 Foods and Beverages

### 5.2.1 Beverages – Tea/Instant Tea and Coffee

The bearish trends in tea commodity prices continued for the fourth successive year. Excessive supply compared to demand led to easy availability of loose tea. Pressure of family budgets for non-durable consumer goods led to downgradation and consequently decline in packet tea market. Overall packet tea market declined by over 9%.

In this scenario, your Company continued to follow its long term strategy of focussing innovation and marketing efforts only on power brands to drive profitable growth. The commodity price pressures at the mass market segment and rationalisation of unviable and non-strategic brands led to a overall sales decline.

Taj Mahal and 3 Roses in the premium segment were relaunched with significantly improved mixes, supported by high impact communication and market activation. The mass market segment is getting commoditised with the emergence of large number of regional players. Your Company has always focussed on offering “value for money” brands by leveraging its sourcing and R&D capabilities. During the year, our brands in this segment were relaunched with significantly improved strength and taste, supported by rural market activation. The initial results have been encouraging.

Lipton Ice, Unilever’s globally successful brand in the soft drinks category, with its unique proposition of adolescent vitality, has been test marketed in Bangalore. The response has been extremely positive. The brand will be extended to other cities during 2003. The business continued its focus of driving growth in Out of Home

channels through Vending and Hot Tea operations. Out of Home and Lipton Ice will be the major contributors for volume growth.

Instant coffee continued its record of excellent growth. Relaunch of Bru late in 2001, supported by aggressive drive on increasing penetration through low unit price packs, has yielded excellent results. Introduction of new flavours, particularly in the Out of Home segment, will further strengthen the brand’s equity in the market. Deluxe Green Label, our conventional Coffee brand, was relaunched with significantly stronger aroma. The mix has been well received. The brand has held its position in its strong South Indian markets despite significant pressures from regional brands.

The profitability of the Beverages business has significantly improved, reflecting the favourable impact of the measures taken to re-engineer the supply chain and upgrade the brand portfolio. Initiatives in supply chain, straddled across sourcing, blending, manufacturing and distribution, with significant benefits accruing in terms of quality and cost.

Manufacturing locations were re-configured and modernised to optimise total cost chain. To fully derive the benefits of process re-engineering across the supply chain, a Shared Services Centre has been set up, as part of Tea Excellence Centre at Kolkata.

### 5.2.2 Pepsi Foods – Strategic Alliance

In a strategic move your Company formed an alliance with Pepsi Foods Pvt. Ltd. to jointly market through a vending format a full range of our hot beverages and soft drinks from their portfolio of world-class brands.

The partnership leverages each other’s strengths with a good business model that creates a powerful distribution base to market a unified portfolio through a combined fountain, vending and institutional initiative. The alliance will make available leading brands of the two FMCG giants – Lipton, Taj Mahal, Bru, Pepsi Cola, 7Up, Mirinda and other popular carbonated soft drinks through vending machines and fountains.



### 5.2.3 Plantations

The performance of tea plantations business in 2002 has to be viewed in the context of an extremely challenging year for the Indian tea industry which witnessed continued fall in prices and reduction of industry-wide crop due to adverse weather conditions. Global abundance of supplies and a slow-down in Indian exports led to continuance of bearish commodity markets. Good quality teas barely managed to hold on to prices.

The production of our own crop was adversely affected in North Indian plantations due to unfavourable weather conditions while in the South Indian plantations it was compounded by an industry-wide wage dispute, leading to labour unrest and a lock-out in one of the divisions. The quality levels were however maintained. The production facilities were upgraded in Assam and South India to ensure better product mix of CTC and Orthodox teas and to enhance quality. Export of plantation teas was significantly enhanced during the year.

Initiatives on improved harvesting methods and refinement of agricultural practices continued to improve land and labour productivity and enabled controlling costs. However high wages and social costs continues to be serious cause for concern, adversely impacting international competitiveness of Indian Tea Plantations.

Steady and noteworthy progress was made on the Unilever driven Sustainable Agriculture Project aimed at upholding Unilever's commitment to creating economic value while ensuring that its operations/activities are not responsible for any adverse impact on the environment, or on the local communities in which it operates. The project focuses on using renewable resources in preference to non-renewable ones. Planting of cover crops & soil binding species and scientifically laid out drainage schemes catered to reducing soil loss, while significant reduction in nitrogen fertilizers was possible with use of organic & bio-fertilizers. Vigorous introduction of Integrated Pest Management practices has led to 20-30% reduction in pesticide usage. Fungal bio-control agents and pheromone traps have been used to successfully control

key pests such as *Helopeltis* in Assam and *Shot Hole Borer & mites* in South India. The project worked closely with third-party stakeholders – the MS Swaminathan Research Foundation, Chennai, renowned experts on sustainable development in India.

### Rossell Industries Limited (RIL)

Rossell Industries Ltd. (RIL), a subsidiary of your Company engaged in cultivation and manufacture of tea, achieved a turnover of Rs. 5139.74 lakhs during 2002 and incurred a loss of Rs. 643.09 lakhs due to prevailing market conditions.

Consequent to the second offer made by Lipton India Exports Limited (LIEL), in compliance with SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997, during the year the promoter shareholding of RIL has increased to 96.92% of voting share capital of the Company. LIEL has initiated steps to delist the shares of the Company from the stock exchanges. In principle approval for the same has been obtained from all the stock exchanges concerned.

### 5.2.4 Beverages Exports

Your Company's Beverages Exports business had a year of mixed performance. The turnover was adversely affected by the loss of packet tea exports business to Russia consequent to the discriminatory import duty introduced by the Russian government on packet tea vis-à-vis loose tea. We have also lost some businesses in the Gulf countries due to the political and economic uncertainties. On the positive side, we have gained sustainable value added exports to the US, Australia and South East Asia. Another outstanding achievement during the year was the setting up of a world-class manufacturing unit in Pune for tea bags. Coffee exports have recorded excellent growth during the year by building a strong customer base in European countries.

### 5.2.5 Popular Foods

The Popular foods business operates essentially in two categories, Salt and Wheat flour.



In a declining market, Annapurna continued to be the market leader in branded Atta during the year. During the course of the year your Company focussed on margin improvement and took steps to correct the pricing.

Knorr Annapurna “3 Must Atta” has been launched in North and East. Consumers have been adding different food grains to their Atta in a bid to increase the nutritional value of their Chapatis. However, buying these grains, getting them ground and most importantly getting the right blend is difficult and complex. Meeting this need, Knorr Annapurna 3 Must Atta has the goodness of 3 Must - Soya, Maize and Channa blended in the right quantity with premium quality wheat to give great tasting Rotis that helps in the family’s wellness in the long term. It has been launched in the metros in North and East.

In line with the strategy to provide value added products, Annapurna Ready to Eat Chapatis were extended to Bangalore and Chennai markets.

### **Salt**

Branded Salt market during the year declined by 5%. The category witnessed intense competitive activity with the entry of new players into the market. New entrants created instability in the prices by undercutting and aggressive promotional activities. Despite this the margins improved significantly. Knorr Annapurna mineral balance salt was launched in the metros and mini metros during the year and this is expected to create differentiation to our product.

Good volumes realized in the second half of the year and the encouraging response to our innovations, augurs well for the business.

### **5.2.6 Modern Food Industries (India) Limited (MFIL)**

Since acquiring management control in MFIL, the first PSU to be disinvested, in January 2000, HLL has been successfully implementing a strategy to turn around the Company, which is progressing as per plan. The strategy comprises modernisation of factories, innovation, marketing and distribution expansion, synergies through an integrated wheat sourcing model, and pro-active industrial relations.

MFIL has invested in market development, trade and channel support and has extended coverage to several new towns, while growing in existing markets. The sales drive has been backed by appropriate trade promotion schemes.

During the year a new bread on Atta platform - Modern Atta Bread, was launched for the first time in India. Unlike normal bread, made from maida, Modern Atta Bread is made from special fortified Annapurna Atta.

Supplementary Nutritional Foods (SNF) business performed satisfactorily during 2002 executing the state government orders, essentially from UP, well. However, the business faces uncertainty due to lack of government orders as of now. During the year the Company could obtain additional orders from the World Food Programme for supplies for relief work undertaken by the WFP, in India as well as to Afghanistan.

During the year the Government of India exercised its put option for sale of remaining 26% equity shares held by it, to your Company. Consequent to the acquisition of these shares Modern Food Industries (India) Limited is now a wholly owned (100%) Subsidiary of your Company.

### **5.2.7 Culinary Products**

The Culinary business grew well driven largely by launch of value-added products and seamless integration of the Bestfoods business. The Knorr brand which became a part of Company portfolio consequent to Bestfoods merger has registered a growth of 56% during the year. A number of innovations have been seeded in the market-place. These include Knorr Annapurna Spices and Cooking Aids, Ethnic Sauces, 4’O Clock Tiffin, Kissan flavoured spreads and Kissan Greedy Bistix.

With the objective of building the core of Knorr Annapurna across the country, significant resources have been invested in developing deep consumer insights and in understanding the cooking habits of young mothers. These insights are currently being translated into differentiated marketing mixes.

The business undertook a major initiative to reconfigure the supply chain on a regional basis. This has helped in



significantly improving the freshness of stocks in trade and in reducing supply chain costs.

### 5.2.8 Spreads, Cooking Products and Bakery Fats

The market for cooking mediums in India is highly fragmented and commoditised with a large number of players operating in regional geographies. Industry is characterised by low capacity utilisation (about 35%), and low differentiation. It is also subject to continuous Government intervention in the form of import duty and other changes.

Dalda however continued its premier position across the regions, and commanded premium price, reflecting the consumer trust in this heritage brand.

During the course of 2002, oil prices in general increased sharply on account of rise in the international markets coupled with the drought in India. There was consumer resistance to the increased price level and consumption was adversely affected. The total market for vanaspati in consumer packet shrank by more than 20%. Further, there was a major shift in the consumption pattern of oils as soya bean oil became the cheapest cooking medium in view of its favourable import duty rate. As a result, the market for soya bean oil more than doubled, while competing oils such as sunflower shrank by nearly a fourth. There was also the emergence of very large volumes of refined palm oil as cheap substitute for Vanaspati and the problem was compounded by import of vanaspati of Nepalese origin. This was partially stemmed by a quota of 1 lakh tonnes imposed by Government of India on imports from Nepal. In view of the above market context the business faced pressures on both growth and margins.

During 2002, the Company took active steps to build nascent business in spreads in the form of Kissan Choco Kick and Kissan Honey Kick – 2 sweet spreads. Plans are in place to drive good growth in this area in 2003 aided by technology from the parent Unilever who are worldwide leaders in Spreads.

## 5.3 Ice Creams

**5.3.1** Your Company's Ice Cream business embarked on a radical new strategy with a view to turning around the

business. The key elements of the new strategy are to focus on the power brand Kwality Wall's, launch of well differentiated products, focus on key Ice Cream markets of the major metros and re-engineered supply chain.

The Company introduced exciting differentiated products for the first time in India. These included Kwality Wall's Black Currant Sundae, Viennetta – Vanilla and Chocolate variants, Super Cornetto, Feast Bar and Exotic Sundaes, such as Mocha Almond and Kesar Magic. These innovations were very aggressively supported by a new advertising campaign focussing on the power brand Kwality Wall's. The focus on power brand received further boost from a mega range promotion "Ek Din Ka Raja". All these actions resulted in excellent consumer response for the new products which covered both in-home and out-of-home opportunities.

Innovation expertise was further extended to the soft ice area where new Cornetto Ripple Softies were launched with encouraging consumer response.

In continuation of the efforts made in the past few years, the supply chain was further re-engineered by focussing on fewer strategic manufacturing locations. Viennetta which was earlier imported, is now manufactured in India. All key manufacturing locations were enabled to produce products of world-class.

The results of the new strategy have been outstanding and are reflected in the segmental results published by your Company, especially from the summer season onwards, represented by the last three quarters commencing April 2002.

### Merry Weather Food Products Limited

Merry Weather Foods Products Limited which produces ice cream and frozen desserts for your Company for sales in eastern India posted a profit (before exceptional) of Rs. 58 lakhs (2001 Rs. 17 lakhs). Overall sales have declined to Rs. 6,98 lakhs (2001 Rs. 12,26 lakhs).



## 5.4 Speciality Exports

The continuing Speciality Exports businesses grew by 11.5%. Of these, the three focus businesses viz. marine, agri and rice recorded an overall growth of 18%. Overall exports declined due to discontinuation non-value adding traded exports and transfer of Leather and Mushroom businesses.

The Leather business was transferred to Pond's Exports Ltd., a 100% subsidiary on March 31, 2002. Likewise, the Mushroom business of the Company was transferred on July 1, 2002, to KICM (Madras) Ltd., a 100% subsidiary. This would facilitate formation of a joint venture or a possible divestment, which could leverage the strength of these businesses more effectively.

The performance by individual businesses is summarised below :

### 5.4.1 Marine

The Marine business registered a growth of 13% over the previous period, led by growth in the Amalgam division – Salad shrimps and pasteurised crabs.

The Surimi business, grew turnover by 8% in 2002, and witnessed record profitability levels as a result of yield improvements and competitive sourcing of raw materials.

The crabstick business in its first full year of operations, achieved a turnover of Rs. 15 crores and currently has orders far in excess of available capacity. Sourcing tie-up has been established with Unilever Spain. In addition, a number of new customers have been developed across Europe and USA.

HLL marine business has been awarded 2 MPEDA awards for second year in a row for having achieved highest exports in sea food and also being the leading exporter in value added sea food.

### 5.4.2 Agri & Castor

The year 2002 saw a 20% decline of Castor Oil/derivatives exports from India. Worldwide commodity prices were also under pressure impacting growth for the year.

Share of value added Castor derivatives in total business doubled to 11% in line with the business strategy.

Three new products were added to the portfolio. Focus on customisation (with R&D inputs) to suit key customer needs is a strong point of the business.

Your Company has made good progress in identifying and tying up distribution arrangements in key markets of Europe and USA.

Your Company was awarded the Globoil Gold award for outstanding performance in the category of castor seeds, castor oil and derivatives for the 4th consecutive year.

### 5.4.3 Rice

The business achieved substantial sales growth of over 60%. Focus on brand building, entry into new segments and cost and efficiency improvements, have contributed to improved results.

The flagship brand of “Gold Seal Indus Valley Rice” was successfully relaunched in Middle East and Singapore with improved product cued on superior aroma delivery, and excellent packaging.

The brand in the popular segment, “Rozana” was relaunched in the second half of 2002, with new blend and attractive packaging.

Your Company continued its efforts at maintaining ‘Seed to shelf’ traceability for basmati through contract farming tie ups and tracking/documentation processes to strengthen the business considerably.

### 5.4.4 Leather – Pond's Exports Limited

The business faced pressures in 2002, both on top line and profitability. This decline in business was largely attributable to 20% decline in shoe uppers division, caused by loss of key European customers, who have closed down shoe factories and shifted sourcing to China. Despite this, the profitability of the business was maintained mainly due to efficiencies in buying, yields and productivity.

The Shoe business recorded significant growth with existing customers in Europe. 5 New customers have been



added during the year, which will fuel growth in 2003. A productivity led settlement has been signed with the Footwear Factory Union leading to significant improvement of productivity levels at the Unit in DQ 02, resulting in cost savings in job work. The customer base for shoe uppers has been expanded by 4 new customers. The business plans to revive the business volumes in Uppers, by focussing on new customer development, and measures to improve profitability led by cost and productivity initiatives.

#### 5.4.5 Mushroom – KICM Limited

The Mushroom business continues to face stiff challenge from the Chinese and the emerging cottage industry segment. This has been exacerbated aggravated by adverse climatic conditions resulting in stagnant, bio yields.

### 5.5 New Ventures

The New Ventures group has been rigorously evaluating and implementing new growth opportunities identified by Project Millennium. Addressing these opportunities involves detailed market assessment, relevant consumer understanding, identification and acquisition of newly required capabilities as well as leveraging our current capabilities. Your Company has made significant progress in implementing new growth initiatives as given below.

#### 5.5.1 Confectionery

Confectionery is one of the few product categories where kids make their own purchase decisions. Generating and sustaining excitement around the brand is critical and 'Max' confectionery brand has been successful in capturing the imagination of kids. Following a successful test market last year in Tamil Nadu, "Max" was extended nationally during this year. Apart from ChocoMax, MaxMagik and MaxMasti, this year saw successful launches of two well differentiated products - MaxCream and ToffyMax. In the highly fragmented and competitive hard boiled candy market, Max brand share has grown to 5% in year 2002. Continuous innovation and major cost saving initiatives have improved the Gross margins.

The Strength of our confectionery business is the strong brand equity of 'Max' and our deep consumer

understanding. Supported by our strong food R&D skills, Max is the only confectionery brand offering a wide choice. The business is strengthening the distribution to cater to fringe outlets.

#### 5.5.2 Aviance

Aviance is a personal care brand that marks the entry of your Company in the Rs. 1700 crores Direct Selling channel which is growing at the rate of 20% per annum.

2002 has been a year of high growth for Aviance. The turnover doubled during the year backed by an even higher growth in the consultant base. Positive strides were made in the area of supply chain management and Information Technology enabling the business to successfully manage this rapid growth. Aviance now services over 300 locations through a network of 14 service centres. On an average, there was one new product launched every month and this pace of innovation is expected to increase in future.

The strong consumer understanding and technology of your Company has been translated into delivering world-class products to consumers. Aviance products have gained a high degree of popularity with consumers commanding high repeat purchase rates.

There is immense scope for leveraging synergies from mainstream HLL in the areas of consumer understanding, banking, supply chain and IT to achieve sustainable competitive advantage.

In order to harness opportunities outside personal care category in the Direct selling channel, the business was relaunched as "HLL Net Work" in the beginning of 2003 with product offerings in a wider range of products. This is expected to yield good results in 2003.

#### 5.5.3 Rural Connectivity

Using the networks of rural women's Self Help Groups, the Rural connectivity model reaches our products and communication to villages hitherto not reached. The model piloted channel intervention called Project 'Shakti' in Nalgonda, Andhra Pradesh in 2001 where Self Help Groups (SHGs) were appointed as Shakti Dealers (SDs)



distributing HLL goods directly to consumers. Partnerships with several NGOs and the state government were forged to facilitate the process. The results of the pilot were very encouraging as “Shakti” led to gains in our market share, higher consumption of our categories and increased levels of brand awareness in these markets.

During 2002, the model was extended across the states of Andhra Pradesh, Karnataka and in parts of Gujarat. Project Shakti now works with over 6000 SHGs covering 4,750 villages touching over 1.5 million households. In 2003, it will be rolled out to over 100 districts in Uttar Pradesh and Madhya Pradesh. Work is currently in progress on the *i-Shakti* pilot, an information dissemination service for rural needs delivered through an IT platform.

Project Shakti is an excellent case of a win-win relationship between the SHGs and the Company. While the Company benefits by reaching out to these hitherto untouched markets, the SHGs get a low risk and sustainable income opportunity. The Shakti dealer generates an income of over Rs. 1,000 per month; more than double their existing household income. It also gives the SHGs a social identity and the confidence to undertake larger businesses. This channel has become a source of genuine and correctly priced products for the villagers. Over the next 3 years Shakti will be operational in 30,000 villages across 8 states and touching the lives of 10 million households.

#### 5.5.4 Herbal Health and Beauty

The launch of “AYUSH” is aimed at providing health and beauty benefits by bringing together the authentic knowledge of Ayurveda and the efficacious testing of western science. It attempts to convert users of everyday health and beauty products by providing them with an effective and at the same time safer, gentler alternatives. All the products pass through extensive testing for safety, efficacy, and consumer acceptance. Ayush products are based on unique Ayurvedic formulations endorsed by the Arya Vaidya Pharmacy, Coimbatore. A revolutionary packaging, strong communication and competitive pricing of Ayush have been supported by a comprehensive media plan and a rich micromarketing plan. The brand experience is further enhanced through a service element of Ayush

Therapy Centre, Chennai. Considering the vital role of medical practitioners esp. in health products, Medical Equity Program has been initiated to reach them effectively.

Ayush has launched the personal care range in 2002. The healthcare range which is being tested in one state in the South will be extended in 2003.

#### 5.5.5 E-Tailing

The direct to consumer e-tailing initiative branded ‘Sangam’ launched as a pilot in Thane in 2001 saw a healthy response meeting the targeted action standards. The service offers 3,500 SKUs of branded products and grocery items. Customers place their shopping orders on telephone or internet, orders are received at a web enabled call centre and directly passed on to the Distribution Centre for delivery within 24 hours.

The service has been extended to Navi Mumbai and has been launched in Mumbai city in 2002. The business currently has two distribution centres catering to these territories.

The customer benefit is focussed on providing the widest choice at surprisingly good prices. Customers are very satisfied with the service since it is very convenient and offers relevant choice at value.

The potential for growth is strong and would be driven by maximising customer satisfaction. With the strong distribution network, supply chain and procurement expertise and product reach of the Company, Sangam would provide the ultimate shopping experience to consumers.

### 5.6 Chemicals and Fertilisers

#### 5.6.1 Speciality Chemicals

The markets for Speciality Chemicals, both global and domestic continue to remain depressed. In this context, the business recorded a 12% growth over the previous period and a significant improvement in profitability.

**Aroma Chemicals** maintained its sales at 2001 levels, despite a challenging market environment, while recording



impressive improvement in profitability. This was achieved by continuing to focus on sharper product portfolio, Cost savings led by rationalisation/consolidation of manufacturing facilities.

**Glycerine** recorded all time high volumes in 2002. The year also saw a 27% jump in the volumes of branded glycerine, sold in select markets of the country.

**Functional Bio-polymers** recorded 30% growth in top line in 2002. This was achieved in the face of a sluggish end user market and growing competitive pressures. The paper polymer business recorded a 35% sales growth, with total sales volume crossing 10000 T for the first time.

#### 5.6.2 Fertilisers and Bulk Chemicals Business – Hind Lever Chemicals Limited (HLCL)

The Fertiliser and Bulk Chemical operations continued to be part of Hind Lever Chemicals Ltd., in which your Company holds 50% equity. Despite the year witnessing one of the worst droughts in recent memory, and consequent pressures on the Fertiliser industry, the business performed well.

The Board of HLCL has proposed to merge the Company with Tata Chemicals Limited (TCL). Fertilisers and Bulk Chemicals is the core business of TCL, with inherent technological strengths. Also, its product portfolio and geographical spread are complementary to that of HLCL. Both companies have very strong brands in their respective areas of operation, built up over the years through intensive farmer extension programmes. The merged company will be able to offer a comprehensive portfolio of Phosphatic and Nirtogenous Fertilisers in the East and in the North. It will similarly have a combined and wider portfolio of Bulk Chemicals, like STPP (from the HLCL side) and Soda Ash (from the TCL stable).

Furthermore, TCL and HLCL, apart from being responsible Corporates, have a compatibility in corporate culture since both companies share the same core values of honesty, integrity, and the highest standards of corporate behaviour towards employees, trade, consumers, society and environment. Subject to obtaining the requisite legal approvals, a Scheme of Amalgamation of HLCL with TCL

has been formulated, pursuant to which it is proposed that for every two (2) equity shares of Rs.10/- each of Hind Lever Chemicals Limited, the shareholders of Hind Lever Chemicals Limited (HLCL) would receive five (5) fully-paid shares of Rs.10/- each of Tata Chemicals Limited.

### 6. SWOT Analysis for the Company

#### Strengths :

- Strong and well differentiated brands with leading share positions. Brand portfolio includes both global Unilever brands and local brands of specific relevance to India.
- Consumer understanding and systems for building consumer insight.
- Strong R&D capability, well linked with business.
- Integrated supply chain and well spread manufacturing units.
- Distribution structure with wide reach, high quality coverage and ability to leverage scale.
- Access to Unilever global technology capability and sharing of best practices from other Unilever companies.
- High quality manpower resources.

#### Weaknesses :

- Increased consumer spends on education, consumer durable, entertainment, travel etc. resulting in lower share of wallet for FMCG.
- Limited success in changing eating habits of people.
- Complex supply chain configuration, unwieldy number. of SKU's with dispersed manufacturing locations.
- Price positioning in some categories allows for low price competition.
- High Social costs (housing, foodgrains & firewood, health and other welfare measures) in the plantation business.



**Threats :**

- Low priced competition now present in all categories.
- Grey imports.
- Spurious/counterfeit products in rural areas and small towns.
- Changes in fiscal benefits.
- Unfavourable rawmaterial prices in oils, tea commodity etc.

**Opportunities :**

- Market and brand growth through increased penetration especially in rural areas.
- Brand growth through increased consumption depth and frequency of usage across all categories.
- Upgrading consumers through innovation to new levels of quality and performance.
- Emerging Modern Trade can be effectively used for introduction of more upscale Personal Care products.
- Growing consumption in Out of Home categories.
- Position HLL as a sourcing hub for Unilever companies in various countries.
- Leveraging the latest IT technology.

## 7. RESEARCH & DEVELOPMENT AND TECHNOLOGY

A significant source of strength for your Company has been its business culture that recognizes technology-driven innovation as the best foundation for a sustainable business. This recognition, and the consequent commitments, has contributed to create, and deliver to the consumers, superior value. These are reflected in Company's products, which are clearly differentiated from its competitors', and its processes that consistently deliver more with less expenditure. This tradition continued through 2002, producing several significant technological contributions from R&D to business.

The most significant advances in R&D and deliveries to Company's HPC businesses in 2002 were

- a novel process to manufacture transparent soaps for personal wash, with a potential to achieve significant cost savings as well as superior performance,
- new dish-wash bar technology capable high product performance differentiation,
- new insights into modulating skin pigmentation, to make superior skin care products, especially providing a step-change in skin lightening performance,
- a series of innovations in the fabric wash products to improve the product performance significantly and save costs.

Similarly, in the foods and beverages area,

- the technology to manufacture new biscuits and a new variant of Atta were developed, and implemented on commercial scale,
- the process to make jams was improved, resulting in significant cost savings.

In addition, research in tea has led to a number of innovations to help improve tea quality and reduce costs.

Overall, significant focus was brought to the creation of scientific and proprietary knowledge, cutting across categories, with rigor and relevance for efficient delivery to business. New "ways of working" processes, which should serve to improve substantially our ability to discover, develop, design and deliver, have been implemented. These measures are expected to contribute discontinuously to the quality and quantity of the output from R&D in 2003 and beyond.

**Hindustan Lever Research Foundation :** Extensive discussions have been held with a select group of leading academic institutions and research-professors to help build the appropriate framework for industry-university partnership in a Ph.D. program. This program, aimed to offer high value to the students and the partnering institutions, will be formalized and implemented in 2003.



## 8. ENVIRONMENT, SAFETY AND ENERGY CONSERVATION

Safety and Environment Management continues to be a key result area for your Company. The only acceptable standard of Safety performance for your Company envisions “zero accidents”. During 2002, Accident Frequency Rate continued to remain at a level much lower than industry average and one of the best amongst Unilever Companies worldwide. With a view to raise safety level across the Company, several initiatives which were put in place during the last year are now helping to ensure involvement of all employees at shop-floor level. To ingrain deeper commitment to safety and a positive safety culture across the organisation, your Company is spearheading implementation of Framework of Standards aligned to ISO 14001 / OHSAS 18001 standards. Your Company has further initiated steps to benchmark safety management against other world-class Companies. During the year, 12 sites received coveted Unilever Gold/Silver/Bronze awards of Excellence through continuous improvement in their safety performance. Chhindwara unit received a Prashansa Patra Award from the National Safety Council. All units in Pondicherry actively participated in a State Level Safety Exhibition where Company's Tea Unit received 1st Prize. The Yavatmal unit received recognition from the Directorate of Industrial Safety & Health for its exemplary Safety performance.

Through ongoing programmes of continuous reduction of the environmental impact of operations, the environmental load of key parameters, already well below the statutory requirements, has been reduced further. Annual reduction targets for individual manufacturing sites are monitored for adherence on a monthly basis. In key areas of National priority such as Energy and Water, your Company has recorded further reductions in specific consumption of 7% and 4% respectively over 2001 through productivity improvements, inducting novel processing routes, adopting clean technologies and recycling/reuse where feasible. In the Tea Plantations Group in the State of Tamilnadu, your Company has demonstrated on a pilot-scale, sustainable agricultural practices which are now being extended appropriately to other sites. The experience gained in

vermi-culture and vermi-composting now covers a number of manufacturing sites to convert domestic wastes into value added fertiliser supplement for cultivation.

Following an allegation of pollution due to mercury waste from the Thermometer factory at Kodaikanal, your Company had stopped manufacturing operation in March 2001. Subsequently, a study carried out by engaging internationally renowned environmental consultants M/s. URS Dames & Moore indicated that there is no significant impact on environment. A detailed risk assessment study report has been submitted to the authorities. Further a comprehensive health check for all its employees at Kodaikanal confirmed that there has been no adverse impact on the health of the employees. Your Company has now received clearance from Ministry of Environment & Forests for re-export of mercury and mercury bearing materials from this factory. The disposal of plant and machinery and other materials will commence after obtaining authorisation from the local authorities in accordance with the applicable regulation.

## 9. PERSONNEL

Our employee relations, rooted in the philosophy of bilateralism, continued to yield positive results with productivity linked long term settlements signed in nine of our Units during 2002. Recently we have signed a LTS with the union representing the Monthly paid staff in our Head office. With this bilateral agreement which has happened after a gap of 38 years we believe that a new beginning has been made in building a harmonious and productive relationship with these employees.

The Total Productive Maintenance (TPM) programme has been delivering excellent results in our manufacturing Units. Employees have found this to provide them with great opportunities to unleash their creative energy and significantly contribute to the improvement in operational efficiencies. During 2002, four of our factories achieved the Level I certification and one of our Factories gained Level II certification for excellence in TPM awarded by the Japan Institute of Plant Maintenance.

The focus on building a high performance culture continues unabated and we have invested considerable



time and effort in building of our leadership capabilities and installing a culture of coaching and mentoring for improved performance. One of the highlights during the year has been the finalisation of a transformation agenda by the HR community to support business in its path to growth. The agenda focusses on leadership development, strengthening of our performance ethic, reinforcing values and sharper alignment to business goals. Many of the initiatives, part of the transformation agenda, have been rolled out and their positive impact on organisational culture is already beginning to be felt.

For the second year running, Hindustan Lever has been voted as the 'Employer of Choice', by the students in premier Business School campuses of our Country. Apart from continuing to recruit bright young talent from campuses we have intensified with excellent results our search for top talent with diverse experience.

## 10. ACQUISITIONS AND DISPOSALS

### 10.1 Acquisitions

#### Amalgam – Marine Business

Your Company had in July 2000, entered into a wet lease arrangement with the Amalgam Group under which four of its manufacturing facilities were being utilised by HLL for export of marine products. The Amalgam Group of Companies, pioneers in setting up IQF (Individual Quick Freeze) technology in India is the country's largest exporter of Cooked Shrimps and Pasteurized Crab Meat.

The wet lease arrangement has been converted into a wholly owned business of the Company by way of a slump sale of the Assets of the frozen seafoods business of the said Amalgam Group including the facilities for cooked shrimps and pasteurised crabmeat on a going concern basis, to the Company with effect from January 1, 2003, subject to requisite approvals.

The Company so far has no presence in the shrimps segment of the marine range of products, which constitutes over 20% of the global marine industry. Accordingly the cooked shrimps business of the Amalgam Group will be a logical extension and complimentary to Company's

existing marine facilities for fish protein isolate and crabsticks. This will also provide operational and strategic synergy in the area of raw material procurement/customer management and thus improve the profitability of the overall portfolio of the Company's marine exports.

Further the said acquisition would also make available to the Company, the state-of-the-art technology and US FDA and EU approved processing units located at Aroor and Kuthiathode (in Kerala), Pamaru (in Andhra Pradesh) and Rabale (in Maharashtra) and well known trademarks/ brands such as "Ocean Diamond", "Shogun" and "Ocean Excellence".

### 10.2 Disposals

#### 10.2.1 Carpets

The Carpets business, a part of the Speciality Exports business with a turnover of approx. Rs. 6,00 lakhs p.a. and the facilities for washing carpets at Varanasi was sold on a going concern basis for a consideration of about Rs. 1,00 lakhs during the year.

#### 10.2.2 Digital Thermometer

The Digital thermometer unit located at MEPZ, Chennai, a part of Company's export business with a reported sale of Rs. 1,45 lakhs for the year 2001 was sold for a consideration of approx. Rs. 55 lakhs.

## 11. ISSUE OF BONUS DEBENTURES

Pursuant to approval of the shareholders at the Extra Ordinary General Meeting of the Company held on August 9, 2002, with regard to the Revised Scheme of Arrangement for issue of bonus debentures and payment of special dividend with a view to ensure that the promised benefits are made available to the Members in a fair and equitable manner, in the light of the revised tax regime, the Hon'ble High Court of Bombay in Mumbai in December 2002 approved the Scheme of Arrangement for issue of Bonus Debentures, from the General Reserves, for Rs.1321 crores in the ratio of one Bonus Debenture of Rs. 6/- for every share of Re. 1/- and a Special Dividend



of Rs. 2.76 per share of Re. 1/-, to be paid by reference of the same Record Date, and to form part of an integrated transaction aggregating to a payment of Rs. 1928 crores to the shareholders.

The Company thereafter made necessary applications to the Reserve Bank of India (RBI) for their requisite approval for the Scheme which was duly received on April 9, 2003. However, the Finance Bill 2003 has made significant changes in the taxation of Dividend and has reintroduced Dividend Distribution Tax at an enhanced rate of 12.81% (including surcharge) to be paid by Corporate and made dividend income tax exempt at the hands of the recipient shareholders. In the circumstances, it is proposed that the Board will in exercise of its delegated authority pursuant to clause 4A of the scheme make appropriate adjustments to the rate of special dividend to provide for Dividend Distribution Tax on bonus debentures (constituting deemed dividend) and special dividend.

## 12. EMPLOYEE STOCK OPTION PLAN (ESOP)

Stock Options for 2003 have not been granted as on the date of the Directors Report. These will be appropriately disclosed after such Grant is made.

Details of the shares issued under ESOP, as also the disclosures in compliance with clause 12 of the Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 are set out in the Annexure to this Report.

None of the management employee or whole-time director have received options exceeding 5% of the value of the options issued for the year ending December 2002.

Likewise, no employee has been issued share options, during the year equal to or exceeding 1% of the issued capital (excluding outstanding warrants and conversions) of the Company at the time of Grant.

Since the Scheme as formulated by the Company provides for a minimum of three year period for vesting of the options, the stock options granted during the year 2001/

2002 have not yet vested in any employee or director and consequently, there is no occasion for any employee or director to exercise such options. In the circumstances, there is neither any dilution in EPS, nor has any consideration been received by the Company for grant of options as above for the years 2001 and 2002.

## 13. GUJARAT EARTHQUAKE RELIEF

Following the devastation caused by the Gujarat Earthquake in January 2001, which severely impacted the region with loss of life and property at an unprecedented scale, your Company as part of its social commitment, inter alia, embarked upon a programme to restructure and repair houses of its employees through a Scheme funded by the Company and its employees. Your Company also decided to rebuild a new village named Yashodadham near Nani Chirai for the villagers whose dwellings were destroyed in the Earthquake. The village of 289 houses was constructed during 2002 through a participatory process with Shri Vivekanand Research & Training Institute (VRTI)-a Non-Governmental Organisation and in collaboration with the Government of Gujarat and the Gram Navrachana Samiti. Each house had a built up area of 400 sq. ft. and stood on a plot of 1600 sq. ft. The houses were provided with useful facilities like slot for lamp, recess for cupboards, loft, paniyara, tiled kitchen platform, cemented floors, sloping RCC roof with mangalore tiles on top, verandah in front and back, individual separate toilet and bathroom etc. Special features to ensure a high degree of earthquake and cyclone resistance were built in. Company put in proper roads, underground sewerage system, septic tanks, running water to kitchen and toilet, electrical connection to each house, large community center and school, Shops etc. Chairman performed the dedication ceremony on December 5, 2002.

The Company funded this project to the extent of Rs. 3.75 crores, the balance coming from the State Government, villagers and the contributions from Company's employees.



#### 14. INFORMATION TECHNOLOGY (IT)

During the year, your Company continued building Information Technology capabilities in the identified areas of strategic thrusts to achieve tangible business value.

Over 3000 key customers are now connected through Internet to the Company Information System using secure e-Commerce technology on a 24X7 basis. This capability helps them to plan their inventory, monitor their sales performance, place orders on-line, access their customer ledger and obtain information on planned market activities. Mobile computing capability has been piloted in select Metros to enhance market-working effectiveness of our field force.

Internal Supply Chain capability has now been recast using advanced planning tools. This has made it possible for your Company to use current information on product off-take to arrive at daily replenishment requirement to distribution warehouses. This in-turn is used to drive the day-to-day production plans at factories resulting in continuous replenishment capability in the Supply Chain. Specialised optimisation tools are used to review and fine-tune Production-Distribution network to achieve lower distribution costs.

We have leveraged IT to simplify and standardise operating procedures and business processes. A networked architecture with powerful server clusters has been deployed at select Data Centres across the country. Special attention is paid towards Security and Disaster Recovery. This will enable us to provide support services like accounting, payments etc. from a few Centres of Excellence. We have made rapid progress in deploying datawarehouse techniques for information management and decision making.

We have leveraged the communication infrastructure to expand our network at lower costs. This has boosted virtual team working, instant video communication and managing innovation process of new products across locations.

We will continue to invest in the above strategic areas to harness the full potential of IT.

#### 15. FINANCE & ACCOUNTS

Cash generation during the year continued to be very good driven by strong business performance, enhanced capability of the supply chain and efficient collection system. In the context of falling interest rate environment, your Company optimised the return on investments by deployment of cash surplus in a balanced portfolio of safe and liquid debt market instruments; returns earned were higher than market benchmarks. Your Company continues to enjoy P1+ rating by CRISIL for its commercial paper programme. However, no commercial paper was placed during the year. The proposed bonus debenture issue of your Company enjoys AAA rating by CRISIL and AAA (Ind) rating by Fitch.

The total amount of fixed deposits as of December 31, 2002 was Nil. Deposits amounting to Rs. 29.40 lakhs were unclaimed by depositors as at December 31, 2002. Your Company has sent reminders to these depositors to complete the procedural formalities for repayments.

In terms of the provisions of Investor Education and Protection Fund (awareness and protection of investor) Rules 2001, Rs. 60.12 lakhs of unpaid/unclaimed dividends and deposits were transferred during the year to the Investor Education and Protection Fund.

Pursuant to directions from the Department of Company Affairs for appointment of Cost Auditors, your Company appointed M/s. N.I. Mehta & Co., as the Cost Auditor for the Soaps and Detergents, Cosmetics and Personal Products and Vanaspati businesses.

The Report and Accounts of the subsidiary companies are annexed to this Report along with the statement pursuant to Section 217 (2-A) and 217 (2-E) of the Companies Act, 1956. However, in the context of mandatory requirement to present consolidated accounts, which provides members with a consolidated position of the Company including subsidiaries, at the first instance, members are being provided with the Report and Accounts



of the Company treating these as abridged accounts as contemplated by Section 219 of the Companies Act, 1956. Members desirous of receiving the full Report and Accounts of the subsidiaries will be provided the same on receipt of a written request from them. This will help save considerable cost in connection with printing and mailing of the Report and Accounts.

### Other Financial Information

#### RONW, ROCE and EPS for the last five years

For the year ended 31 December	1998	1999	2000	2001	2002
RONW	48.9%	50.9%	52.6%	53.9%	<b>48.0%</b>
ROCE	58.7%	61.8%	64.5%	62.4%	<b>59.4%</b>
EPS of Re. 1	3.67	4.86	5.95	7.46	<b>7.98</b>

#### Economic Value Added (EVA)

Economic Value Added for the last five years is given below

Rs. Crores

Years	EVA	Average capital employed	EVA as % of capital employed
1998	548	1652	33.2
1999	694	2070	33.5
2000	858	2389	35.9
2001	1080	2816	38.4
2002	1236	3396	36.4

The above EVA has been computed under very conservative assumptions. A detailed note on EVA is given in page F 33.

#### Segment-wise results

Hindustan Lever has identified seven business segments in line with the Accounting Standard on Segment Reporting (AS-17). These are : (i) soaps and detergents, (ii) personal products, (iii) beverages, (iv) foods, including oils and fats, culinary, and branded staples, (v) ice creams, (vi) exports, and (vii) others, including chemicals and agri-products. The Table below gives the audited financial results of these segments.

#### Segment revenue, results and capital employed

Rs. Crores

For the year ended 31 December,	2002	2001
<b>Segment Revenue (Sales plus income from services)</b>		
Soaps and Detergents	<b>4,385.18</b>	4,170.71
Personal Products	<b>2,095.35</b>	2,053.67
Beverages	<b>1,232.03</b>	1,418.82
Foods	<b>714.50</b>	794.20
Ice creams	<b>107.25</b>	148.57
Exports	<b>1,256.05</b>	1,750.62
Others	<b>343.30</b>	652.68
Total	<b>10,133.66</b>	10,989.27
Less : Inter-segment revenue	<b>(95.22)</b>	(267.55)
<b>Net sales / income from operations</b>	<b>10,038.44</b>	10,721.72
Consisting of		
a) Net Sales	<b>9,954.85</b>	10,667.56
b) Service income from operations	<b>83.59</b>	54.16
<b>Segment Results (PBIT)</b>		
Soaps and Detergents	<b>1,132.88</b>	978.63
Personal Products	<b>756.34</b>	670.14
Beverages	<b>243.59</b>	173.59
Foods	<b>(28.92)</b>	6.92
Ice creams	<b>(14.39)</b>	(26.52)
Exports	<b>95.89</b>	82.04
Others	<b>(3.78)</b>	24.59
Total	<b>2,181.61</b>	1,909.39
Less : Interest expense	<b>(9.18)</b>	(7.74)
Add : Unallocable income net of other unallocable expenses	<b>24.69</b>	41.72
<b>Total profits (PBT)</b>	<b>2,197.12</b>	<b>1,943.37</b>



Rs. Crores

<b>Capital employed in segments (Segment assets less liabilities) - as at 31 December</b>		
Soaps and Detergents	<b>177.04</b>	66.10
Personal Products	<b>91.51</b>	(46.24)
Beverages	<b>(41.12)</b>	(33.53)
Foods	<b>(34.90)</b>	45.98
Ice creams	<b>(2.71)</b>	47.45
Exports	<b>265.04</b>	275.40
Others	<b>105.22</b>	154.01
Total	<b>560.08</b>	509.17
Add : Unallocable corporate assets less liabilities	<b>3,098.80</b>	2,534.53
<b>Total Capital Employed in Hindustan Lever Limited</b>	<b>3,658.88</b>	3,043.70

**Note :** For greater detail, please see the segment accounts given in the financial statements accompanying the audited Profit and Loss Account and Balance Sheet.

### Risk and Internal Adequacy

Your Company has a low debt equity ratio and is well placed to take care of its borrowings. Your Company is a large net foreign exchange earner and the transactions are suitably covered. There are no materially significant exchange rate risks associated with the Company.

The Company's internal control systems are adequate, and are routinely tested and certified by our statutory as well as internal auditors. Moreover, the Company continuously upgrades these systems in line with best international practices.

For a FMCG company like Hindustan Lever, economic growth has a direct impact on its performance. Our outlook for the economy in 2003 is cautious, and we expect a GDP growth of about 5 per cent. Our plans for business development, revenue generation and profit growth factors in, this GDP growth.

### Cautionary Statement

Statements in this Report, particularly those which relate to Management Discussion and Analysis, describing the Company's objectives, projections, estimates and expectations may constitute "forward looking statements" within the meaning of applicable laws and regulations. Actual results might differ materially from those either expressed or implied.

### 16. DIVIDEND

An interim dividend of Rs. 2.50 per share of Re. 1/- each for the year 2002, amounting to Rs. 550.31 crores, was declared by the Board of Directors on July 22, 2002 and paid on August 21, 2002. A final dividend of Rs. 3.00 per share aggregating in all Rs. 660.37 crores was recommended on 29.1.2003. However, the Finance Bill 2003 has proposed to charge Dividend Distribution Tax at the rate of 12.81% (including surcharge) on dividend declared and paid by a Company replacing tax on dividend income at the hands of the recipient shareholders. Consequently, the aforesaid proposed final dividend would include the Dividend Distribution Tax payable and therefore, subject to enactment of the Bill providing for Dividend Distribution Tax at the hands of the Company, net dividend payable to the shareholders will work out to Rs. 2.659 per share. However, the financial outlay of the Company towards proposed final dividend inclusive of Dividend Distribution Tax @ 12.81% would remain unaltered at Rs. 660.37 crores. The net dividend of Rs. 2.659 per share will therefore be free of tax at the hands of the shareholders. Appropriate resolution in this regard would be placed before the shareholders in the ensuing AGM on June 13, 2003 and final dividend as approved at the AGM will be paid on or after June 16, 2003.

### 17. DEPOSITORY SYSTEM

As the members are aware, your Company's shares are tradable compulsorily in electronic form and your Company has established connectivity with both the depositories, i.e. National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited



(CDSL). In view of the numerous advantages offered by the Depository system, members are requested to avail of the facility of dematerialisation of the Company's shares on either of the Depositories as aforesaid.

#### **18. DIRECTORS**

In accordance with the Articles of Association of your Company, all the Directors of your Company will retire at the ensuing Annual General Meeting and, being eligible, offer themselves for re-election.

#### **19. AUDITORS**

The joint auditors, M/s. A.F. Ferguson & Co. and M/s. Lovelock & Lewes retire and offer themselves for re-appointment.

#### **20. APPRECIATION**

Your Directors take this opportunity to thank all employees for rendering impeccable service to every constituent of the Company's customers and shareholders. Your Directors also wish to place on record their appreciation to employees at all levels for their hard work, dedication

and commitment. The enthusiasm and unstinting efforts of the employees have enabled the Company to remain at the forefront of the industry despite increased competition from several existing and new players.

#### **21. TRADE RELATIONS**

The Board desires to place on record its appreciation for the support and co-operation that the Company received from suppliers/redistribution stockists, retailers and others associated with the Company as its trading partners. The Company has always looked upon them as partners in its progress and has happily shared with them rewards of growth. It will be Company's endeavour to build and nurture strong links with trade based on mutuality, respect and co-operation with each other and consistent with consumer interest.

On behalf of the Board

**M.S. Banga**  
*Chairman*

*Mumbai,  
April 16, 2003*



## ANNEXURE TO THE DIRECTORS' REPORT 2002

**Disclosure pursuant to the provisions of Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999**

	<u>Stock Option 2001</u>	<u>Stock Option 2002</u>
a) Options granted	24,75,100 equity shares of Re. 1/- each valued at Rs. 5382.11 L	32,33,601 equity shares of Re. 1/- each valued at Rs. 6801.88 L
b) The Pricing Formula	Closing market price as on the date of option grant - 24.7.2001 Rs. 217.45	Closing market price as on the date of option grant - 23.4.2002 Rs. 210.35
c) Options vested	NA – Since options not exercisable before the expiry of three years from the grant of option (24.7.2001)	NA – Since options not exercisable before the expiry of three years from the grant of option (23.4.2002)
d) Options exercised	NA	NA
e) The total number of shares arising as a result of exercise of option	24,75,100 equity shares of Re. 1/- each	32,33,601 equity shares of Re. 1/- each
f) Options lapsed	1,02,300 equity shares of Re. 1/- each	60,450 equity shares of Re. 1/- each
g) Variation of terms of options	NA	NA
h) Money realised by exercise of options	NA	NA
i) Total number of options in force	23,72,800 equity shares of Re. 1/- each	31,73,151 equity shares of Re. 1/- each
j) Employee-wise details of options granted to :		
i) Senior managerial personnel	—	Details in Appendix
ii) Any other employee who receives a grant in any one year of option amounting to 5% or more of option granted during that year	NA	
iii) Identified employees who were granted option during any one year, equal to or exceeding 1% of the issued capital (excluding outstanding warrants and conversions) of the Company at the time of grant	NA	
k) Diluted Earnings Per Share (EPS) pursuant to issue of shares on exercise of option calculated in accordance with International Accounting Standard (IAS) 33	NA – Since no options have been exercised till date.	
<b>Note :</b> i) Stock Option for 2003 have not been granted as on the date of the Directors' Report. These will be appropriately disclosed after such Grant is made.		
ii) Option lapsed is as on December 31, 2002.		

### APPENDIX

**List of Senior Management Employees to whom Stock Options were granted pursuant to the "2001 HLL Stock Option Plan"**

Name of the Manager	Stock Options granted 2002
M.S. Banga	115340
M.K. Sharma	32215
Gurdeep Singh	32215
D. Sundaram	40270
A.S. Abhiraman	16108
Arun Adhikari	32215
Satish K. Dhall	32215
Gunender Kapur	40270
Anoop K. Mathur	32215
J.H. Mehta	16108
S. Ravindranath	32215
Dalip Sehgal	24170

**Note :** Above stock options are for 2002. Stock Option for 2003 have not been granted as on the date of the Directors' Report. These will be appropriately disclosed after such Grant is made.



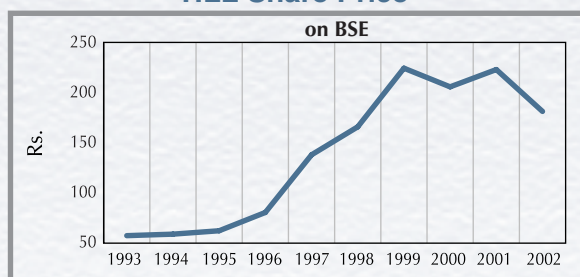
## 10 YEAR RECORD

Rs. Lakhs	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
<b>Profit &amp; Loss Account</b>										
Sales*	2436,06	3240,39	3774,88	7120,06	8342,75	10215,24	10917,69	11392,14	11781,30	<b>10951,61</b>
Other Income	29,76	56,21	66,70	118,08	183,87	244,74	318,98	345,07	381,79	<b>384,54</b>
Interest	(27,23)	(29,54)	(20,15)	(57,00)	(33,89)	(29,28)	(22,39)	(13,15)	(7,74)	<b>(9,18)</b>
PBT @	222,77	302,71	372,22	605,25	850,25	1130,44	1387,94	1665,09	1943,37	<b>2197,12</b>
PAT @	127,27	189,96	239,22	412,70	580,25	837,44	1069,94	1310,09	1540,95	<b>1717,27</b>
EPS of Re. 1 (adjusted for bonus)	0.91	1.30	1.64	2.08	2.81	3.67	4.86	5.95	7.46	<b>7.98</b>
DPS of Re. 1 (adjusted for bonus)	0.56	0.80	1.00	1.25	1.70	2.20	2.90	3.50	5.00	<b>5.50</b>
<b>Balance Sheet</b>										
Fixed Assets	254,34	328,90	395,56	721,71	794,09	1053,77	1087,17	1203,47	1320,06	<b>1322,34</b>
Investments	50,95	191,45	122,83	328,77	531,57	697,51	1006,11	1769,74	1635,93	<b>2364,74</b>
Net Current Assets	195,60	342,02	457,67	378,67	122,42	226,06	187,25	(373,38)	(75,04)	<b>(239,83)</b>
Net Deferred Tax	—	—	—	—	—	—	—	—	246,48	<b>269,92</b>
	500,89	862,37	976,06	1429,15	1448,08	1977,34	2280,53	2599,83	3127,43	<b>3717,17</b>
Share Capital	139,99	146,99	145,84	199,17	199,17	219,57	220,06	220,06	220,12	<b>220,12</b>
Reserves & Surplus	245,69	391,27	492,44	792,36	1062,33	1493,46	1883,20	2268,16	2823,57	<b>3438,75</b>
Share Premium Suspense Accounts	—	177,57	177,57	177,57	—	—	—	—	—	<b>—</b>
Loan Funds	115,21	146,54	160,21	260,05	186,58	264,31	177,27	111,61	83,74	<b>58,30</b>
	500,89	862,37	976,06	1429,15	1448,08	1977,34	2280,53	2599,83	3127,43	<b>3717,17</b>

@ Before Exceptional Items

\* Sales before Excise Duty Charged

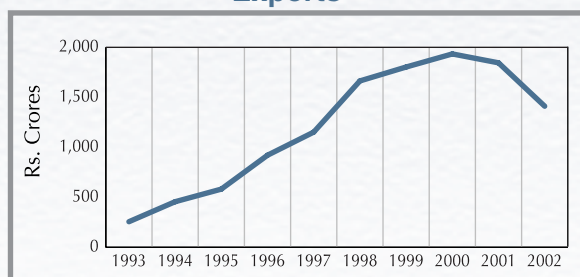
## HLL Share Price



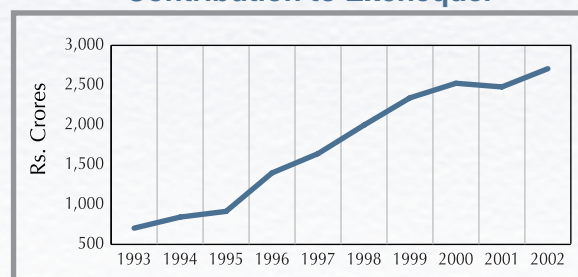
## Market Capitalisation



## Exports



## Contribution to Exchequer



	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
HLL Share Price on BSE (Rs. per Share of Re. 1) *	57.50	59.00	62.40	80.70	138.35	166.35	225.00	206.35	223.65	<b>181.75</b>
Market Capitalisation (Rs. Crores)	8,049	8,604	9,100	16,073	27,555	36,525	49,513	45,409	49,231	<b>40,008</b>
Exports (Rs. Crores)**	258	456	582	921	1,152	1,664	1,803	1,934	1,845	<b>1,414</b>
Contribution to Exchequer (Rs. Crores)	704	843	915	1,398	1,640	2,062	2,341	2,524	2,478	<b>2,609</b>
EVA	60	107	126	272	365	548	694	858	1,080	<b>1,236</b>

\* Based on year-end closing prices quoted in the Bombay Stock Exchange, adjusted for bonus shares

\*\* Includes exports made by subsidiaries



## Corporate Governance

We at Hindustan Lever believe that for a company to succeed it must maintain global standards of corporate conduct towards its employees, consumers and society. The Company believes that it is rewarding to be better managed and governed and to identify and align its activities with national interest. To that end, we as a company have always focused on good corporate governance – which is a key driver of sustainable corporate growth and long term value creation.

At Hindustan Lever, we view corporate governance in its widest sense, almost like a trusteeship. Corporate governance is not simply a matter of creating checks and balances; it is about creating an outperforming organisation. The primary objective is to create and adhere to a corporate culture of conscience and consciousness, transparency and openness; and to develop capabilities and identify opportunities that best serves the goal of value creation.

We believe that a company needs to leverage resources to translate opportunities into reality; to infuse people with a vision which sparks dynamism and entrepreneurship, creates a system of succession which combines stability with flexibility and continuity with change.

Above all else, corporate governance must balance individual interest with corporate goals and operate within accepted norms of propriety, equity, fair play and a sense of justice. Achieving this balance depends upon how accountable and transparent companies are. Accountability improves decision making. Transparency helps to explain the rationale behind decisions, and thereby builds stakeholder confidence.

Good Governance is an integral part of HLL management, in its pursuit of excellence, growth and value creation with a clear focus on its employees, consumers, shareholders and the community at large – its stakeholders, beyond the metric of stock market and market capitalisation.

Corporate Governance is not merely compliance – it is an ongoing measure of superior delivery of Company's objects with a view to translate opportunities into reality. It involves, leveraging its resources and aligning its activities to consumer need, shareholder benefit and employee growth, thereby delighting all its stakeholders while minimising risks.

Empowerment, innovation and the ability to take calculated risks, has been the armour of the management and leadership of the Company which has built a character and image of good governance representing the CULTURE of this Company. This culture is the product of the values and principles clearly identified and meticulously articulated as TRUTH, COURAGE, ACTION AND CARING nurtured on the principles of Transparency, Trust, Accountability and Responsibility.

Truth helps us to acknowledge the reality – our strengths and weakness, the business situation, its scope, the threat and opportunity – as it is and deal with it, not deny it. Precursor to Truth is Trust and Transparency. In our public disclosures, it is not the quantity or the frequency, but it is the quality, its relevance and importance which guides us.

Courage is about confidence, conviction – not recklessness. Courage come from knowledge, rigour – it is venturing into the non-obvious. That explains, why we exited two of our most profitable businesses of seeds and the fragrances and flavours, identifying the power brands and focusing on them.

Action – wars are not won by plans – they are fought. In business, we realise we need to move, move with speed, move with speed and precision – in our pursuit towards excellence such that our vision and purpose indeed gets translated into reality.

Caring – being honest about the others' need, about the success, about our cumulative efforts and sharing the benefits.

In Hindustan Lever, Corporate Governance is a process of building positive relationship and making a wider impact to intensify the interests and appreciation of its members with greater commitment and much greater trust.

In so far as compliance with the requirements of Clause 49 of the Listing Agreement with the Indian Stock Exchanges is concerned, the Company is in full compliance with the norms and disclosures that have to be made on Corporate Governance Format.



## BOARD OF DIRECTORS

a) **Composition of the Board**

The Company since May 20, 2002 is fully compliant with the corporate governance norm in terms of constitution of the Board, headed by its executive Chairman, Mr. M.S. Banga. The Board comprising of ten Directors has equal number of wholetime and non-wholetime Directors, representing the optimum mix of professionalism, knowledge and experience. Details are given in Table 1.

b) **Number of Board Meetings**

Hindustan Lever held seven Board meetings during the year ended 31 December 2002. These were on January 22, 2002, March 18, 2002, April 15, 2002, May 20, 2002, July 22, 2002, October 25, 2002 and December 18, 2002 and the maximum interval between any two meetings was 95 days.

c) **Directors' attendance record and directorships held**

See Table 1 for details.

**Table 1 : Details about Hindustan Lever's Board of Directors**

Name of Director	Position	Board meetings held during the year	Board meetings attended during the year	Whether attended last AGM	Directorships in other public limited companies incorporated in India*
M.S. Banga	Executive Chairman and Whole-time Director	7	7	Yes	3 (0)
M.K. Sharma	Executive Vice-Chairman and Whole-time Director (Legal and Secretarial)	7	7	Yes	6 (2)
D.S. Parekh	Non-executive and independent	7	6	No	18 (13)
V. Narayanan	Non-executive and independent	7	7	Yes	14 (8)
C.K. Prahalad	Non-executive and independent	7	3	No	Nil
A. Narayan	Non-executive and independent	7	6	Yes	1 (1)
S. Ramadorai**	Non-executive and independent	4	3	Yes	9 (4)
G. Singh	Executive and Whole-time Director (Human Resource, Technology & Corporate Affairs)	7	5	Yes	3 (1)
D. Sundaram	Executive and Whole-time Director (Finance & Information Technology)	7	7	Yes	3 (1)
A.C. Weijburg	Executive and Whole-time Director (Detergents)	7	4	Yes	Nil

**Notes :** \* Figures in ( ) indicates listed companies.

\*\*Appointed with effect from May 20, 2002



Independent Director means a Director who, apart from receiving a Director's remuneration, does not have any other material pecuniary relationship or transactions with the Company, its promoters, its management, or its subsidiaries, which in the judgement of the Board may affect the independence of judgement of the Director.

None of the Directors is a member of more than 10 Board-level committees, or a Chairman of more than five such committees, as required under Clause 49 of the listing agreement.

**d) Information supplied to the Board**

Among others, this includes :

- \* review of annual operating plans of businesses, capital budgets, updates,
- \* quarterly results of the Company and its operating divisions or business segments,
- \* minutes of meeting of audit committee and other committees,
- \* information on recruitment and remuneration of senior officers just below the Board level,
- \* materially important show cause, demand, prosecution and penalty notices,
- \* fatal or serious accidents or dangerous occurrences,
- \* any materially significant effluent or pollution problems,
- \* any materially relevant default in financial obligations to and by the Company or substantial non-payment for goods sold by the Company,
- \* any issue which involves possible public or product liability claims of a substantial nature,
- \* details of any joint venture or collaboration agreement,
- \* transactions that involve substantial payment towards goodwill, brand equity or intellectual property,
- \* significant labour problems and their proposed solutions,
- \* significant development in the human resources and industrial relations fronts,
- \* sale of material nature, of investments, subsidiaries, assets, which is not in the normal course of business,
- \* quarterly details of foreign exchange exposure and the steps taken by management to limit the risks of adverse exchange rate movement and
- \* non-compliance of any regulatory or statutory provision or listing requirements as well as share holder services such as non-payment of dividend and delays in share transfer.

The Board of Hindustan Lever is routinely presented with all information under the above heads whenever applicable and materially significant. These are submitted either as part of the agenda papers well in advance of the Board meetings or are tabled in the course of the Board meetings.

**e) Materially significant related party transactions**

There have been no materially significant related party transactions, pecuniary transaction or relationships between Hindustan Lever and its Directors for the year ended December 31, 2002 that may have a potential conflict with the interests of the Company at large.

However, M/s. M.S. Banga, M.K. Sharma and D. Sundaram have, in keeping with the Rules of the Company, leased/ licensed residential accommodation(s) acquired by them and financed in part or full by housing loan scheme of the Company to the Company at fair rentals for use and occupation by employees of the Company. Likewise, Mr. G. Singh has leased at fair rentals a Bungalow at Ranikhet in Uttar Pradesh, acquired by him from his own funds to the Company for use as a holiday home.



The necessary details have been duly recorded in the Register of Contracts, pursuant to Section 301 of the Companies Act, 1956.

**f) Remuneration of Directors : sitting fees, salary, perquisites and commissions**

Table 2 gives the details of the remuneration package of Directors and their relationships with each other.

**Table 2 : Remuneration paid or payable to Directors during the year 2002**

Rupees

Name of Director	Relationship with other Directors	Sitting fees	Commission on profits	Salary	Contribution to PF	Perquisites	Total
M.S. Banga	None	NA	101,91,000	50,95,500	18,34,380	44,27,418	215,48,298
M.K. Sharma	None	NA	79,10,400	39,55,200	14,23,872	6,60,381	139,49,853
D.S. Parekh	None	40,000	5,00,000@	NA	NA	NA	5,40,000
V. Narayanan	None	45,000	5,00,000@	NA	NA	NA	5,45,000
C.K. Prahalad	None	50,000	5,00,000@	NA	NA	NA	5,50,000
A. Narayan	None	60,000	5,00,000@	NA	NA	NA	5,60,000
S. Ramadorai*	None	15,000	3,09,589@	NA	NA	NA	3,24,589
G. Singh	None	NA	49,87,875	32,68,125	9,90,720	9,97,858	102,44,578
D. Sundaram	None	NA	70,43,400	35,21,700	12,67,812	6,93,167	125,26,079
A.C. Weijburg	None	NA	70,43,400	35,21,700	Nil	14,30,659	119,95,759

**Notes :** @ The commission for the year ended December 31, 2002 @ Rs. 5 Lakhs per annum will be paid, subject to deduction of tax after adoption of accounts by shareholders at the Annual General Meeting to be held on June 13, 2003. Sitting fee also includes payment for Board-level committee meetings.

\* Pro-rata for the period from May 20, 2002 (@ Rs. 5 Lakhs per annum).

The above excludes provisions for/contribution to employee retirement/post retirement and other employee benefits which are based on actuarial valuation done on an overall Company basis.

**g) Remuneration of Directors : Employee Stock Options**

Pursuant to the "2001 HLL Stock Option Scheme" following are the details of the stock option granted to the Whole-time Directors of the Company. Non-executive Directors are, at present, not eligible for the grant of any stock options.

Table 3 gives the number of options granted to the Whole-time Directors under this scheme.

**Table 3 : Stock options granted to the Whole-time Directors**

Name of Director	Number of options granted under "2001 HLL Stock Option Scheme" For the year 2002
M.S. Banga	115340
M.K. Sharma	32215
G. Singh	32215
D. Sundaram	40270
A.C. Weijburg	Nil



## h) Committees of the Board

### Audit Committee

The audit committee of Hindustan Lever performs the following functions :

- \* overseeing the Company's financial reporting process and disclosure of financial information to ensure that the financial statement is correct, sufficient and credible;
- \* recommending the appointment and removal of external auditor, fixation of audit fee and approval for payment of any other services;
- \* reviewing with management the annual financial statement before submission to the Board;
- \* reviewing with the management and external and internal auditors, the adequacy of internal control systems;
- \* reviewing the adequacy of internal audit function;
- \* discussing with internal auditors any significant finding and follow up on such issues;
- \* reviewing the findings of any internal investigations by the internal auditors in matters where there is suspected fraud or irregularity, or a failure of internal control systems of a material nature, and then reporting such matters to the Board;
- \* discussing with external auditors before the audit commences on the nature and scope of audit, as well as having post-audit discussion to ascertain any area of concern;
- \* reviewing the Company's financial and risk management policies; and
- \* examining reasons for substantial default in the payment to depositors, debenture holders, shareholders (in case of non-payment of declared dividends) and creditors, if any.

The Company continued to derive immense benefit from the deliberation of the Audit Committee comprising three Non-executive and Independent Directors — Mr. V. Narayanan (Chairman), Mr. A. Narayan and Mr. C.K. Prahalad who are eminent professionals knowledgeable in project finance, accounts and company law. Minutes of each audit committee meeting are placed before, and discussed in, the full Board.

The audit committee met four times during the year : January 22, 2002, May 20, 2002, July 22, 2002 and October 25, 2002. Table 4 gives attendance record.

**Table 4 : Attendance record of audit committee members**

Name of Director	No. of Meetings	Meetings attended
V. Narayanan	4	4
C.K. Prahalad	4	3
A. Narayan	4	3

In addition to the areas noted above, Hindustan Lever's audit committee looks into controls and security of the Company's critical IT applications, the internal and control assurance audit reports of all major divisions and profit centres and deviations from the code of business principles, if any.

### Remuneration and Compensation Committees

Hindustan Lever's remuneration policy is based on three tenets : pay for responsibility, pay for performance and potential, and pay for growth. The Company's remuneration committee is vested with all the necessary powers and authority to ensure appropriate disclosure on the remuneration of Whole-time Directors, and to deal with all elements of remuneration package of all such Directors. This includes details of fixed components and performance



linked incentives including stock options. Since the appointment of the Whole-time Directors are by virtue of their employment with the Company as management employees, their service contract, notice period and severance fee, if any, is governed by the management remuneration policy of the Company.

As for the Non-whole-time Directors, their appointment is for the benefit of their professional expertise in their individual capacity as Independent Business Executives. Accordingly, the service contract, notice period and severance fees, if any of the Company are not applicable to such Non-whole-time Directors. However, as a Company policy, upon attaining the age of 70 years, the Non-whole-time Directors seek retirement by not offering themselves for re-appointment at the Annual General Meeting of the Company.

The committee consisting of three Non-executive and Independent Directors – Mr. D.S. Parekh (Chairman), Prof. C.K. Prahalad and Mr. A. Narayan met thrice during the year : April 15, April 23 and May 20, 2002.

Table 5 gives the attendance record of the members of the remuneration committee.

**Table 5 : Attendance record of remuneration committee members**

Name of Director	No. of Meetings	Meetings attended
D.S. Parekh	3	3
C.K. Prahalad	3	1
A. Narayan	3	3

The three members of the remuneration committee along with Mr. M.S. Banga (Chairman and Whole-time Director) and Mr. G. Singh (Whole-time Director) comprise the compensation committee of the Company. The compensation committee administers the stock option plan of the Company.

#### **Shareholder/Investor Grievances Committee**

The Shareholder/Investor grievances committee specifically looks into redressing of shareholders' and investors' complaints such as transfer of shares, non-receipt of shares, non-receipt of declared dividends and to ensure expeditious share transfer process. This committee comprising Mr. A. Narayan (Chairman, Independent Director), Mr. M.K. Sharma (Vice-Chairman and Whole-time Director) and Mr. D. Sundaram (Whole-time Director) met twice during the year : May 20, 2002 and October 25, 2002. Table 6 gives the attendance record.

**Table 6 : Attendance record of investor grievances committee members**

Name of Director	No. of Meetings	Meetings attended
A. Narayan	2	2
M.K. Sharma	2	2
D. Sundaram	2	2

## **MANAGEMENT**

### **a) Management discussion and analysis**

The Directors' Report includes details of Management Discussion and Analysis of various businesses of the Company.

### **b) Disclosures by management to the Board**

All details relating to financial and commercial transactions where Directors may have a pecuniary interest are provided to the Board, and the interested Directors neither participate in the discussion, nor do they vote on such matters.



## SHAREHOLDERS

### a) Disclosures regarding appointment or re-appointment of Directors

According to the Articles of Association of Hindustan Lever, all Directors retire every year and, if eligible, offer themselves for re-election at every Annual General Meeting. All the Directors are eligible and are offering themselves for re-election.

Given below are the abbreviated resumes of the Directors of Hindustan Lever.

- \* **M.S. Banga** (48) is the Chairman and a Whole-time Director of Hindustan Lever. A gold medallist from IIT-Delhi and IIM-Ahmedabad, he joined Hindustan Lever as a Management Trainee in 1977. After various assignments in the marketing and sales functions in India and a stint with Lever Brothers UK, Mr. Banga took charge of the Company's Personal Products Division in 1993, and joined the Management Committee in February 1995. He was appointed as a Director of the Company in August 1995. In December 1998, Mr. Banga moved to Unilever in London as Senior Vice-President with world-wide responsibility for the Hair and Oral Care categories. He returned to India in April 2000 as the Chairman of Hindustan Lever.
- \* **M.K. Sharma** (55) is the Vice-Chairman and a Whole-time Director of Hindustan Lever. After graduating in Political Science, he completed his LL.B. from the University of Lucknow. He then went on to do a Post-graduate Diploma in Personnel Management from the Department of Business Management, Delhi University, and a Diploma in Labour Law from the Indian Law Institute, Delhi. After working for six years with the DCM group, Mr. Sharma joined Hindustan Lever in 1974 as the Legal Manager. He was inducted on the Board of the Company as Director (Legal and Secretarial) in August 1995, and has been the Vice-Chairman since May 2000.
- \* **D.S. Parekh** (58) is a B.Com and holds a FCA degree from England and Wales. Mr. Parekh has held senior positions in Grindlays and Chase Manhattan. He is the Executive Chairman of Housing Development Finance Corporation Ltd. Mr. Parekh joined the Board of Hindustan Lever in May 1997.
- \* **V. Narayanan** (65) is a M.Sc. (Chem) from Madras University. He was the Chairman and Managing Director of erstwhile Pond's (India) Ltd., and is presently the Chairman of the Academy of Management Excellence, an institution engaged in management training. He joined the Board of Hindustan Lever in August 1987.
- \* **C.K. Prahalad** (61) is the Harvey C. Fruehauf Professor of Business Administration at the University of Michigan at Ann Arbor, USA. He received his Doctor of Business Administration from the Harvard Business School. Prof. Prahalad specialises in corporate strategy, and has authored several books and numerous articles in reputed journals. His contribution to business strategy is globally recognised. He joined the Board of Hindustan Lever in April 2000.
- \* **S. Ramadorai** (58) is a CEO of Tata Consultancy Services; Chairman of Tata Technologies Ltd. and Chairman of CMC Ltd. Holder of a Bachelor degree in Physics from Delhi University; a Bachelor of Engineering degree in Electronics and Telecommunications from Indian Institute of Science, Bangalore; and a Masters degree in Computer Science from the University of California, USA, Mr. Ramadorai took the Senior Executive Development Program at MIT's Sloan School of Management in 1993. Mr. Ramadorai joined the Board of Hindustan Lever in May 2002.
- \* **A. Narayan** (51) joined ICI India as a management trainee in 1973 and grew through diverse functions and businesses before being appointed as Managing Director of ICI India in 1996. Just prior to this appointment he served as a Corporate Planning Manager at the ICI Group Head Quarters in London. A B.Tech. from IIT Kanpur, he also has formal qualifications in law, multi-disciplinary sciences and strategic management. He joined the Board of Hindustan Lever in 2001.



- \* **G. Singh** (58) is a B.Tech from IIT-Delhi. He joined Hindustan Lever as a Technical Management Trainee in September 1966. Mr. Singh was appointed as Vice-President, Detergents (Technical) in 1990. From 1993 to 1998, he was seconded as Technical Director to the Lever Division of Gessy Lever in Brazil. He returned to India in August 1998 in his current position as Director, Human Resources, Corporate Affairs & Technology.
- \* **D. Sundaram** (50) joined Hindustan Lever in 1975 after qualifying as a cost accountant from ICWA. Having worked in various capacities within the Company, he was seconded to Unilever, London for the period 1990-93. On his return to India, he was the financial member of the TOMCO Integration Team and then became the Finance Director of Brooke Bond Lipton India Ltd., in March 1994. After another round of secondment to Unilever, London as Senior Vice-President, Finance (Central Asia and Middle East Group) during 1996-99, he returned to Hindustan Lever in May 1999 to take up his current position as Director, Finance and IT.
- \* **A.C. Weijburg** (55) joined Unilever, South Africa in 1971, after a B.A. in Economics from the University of South Africa. He has occupied several positions within the Unilever Group, such as Marketing and Sales Director (Lever Netherlands), Chairman (Lever Denmark), Managing Director (Lever Sweden), Managing Director (Lever Deutschland) and Chairman (Lever Brothers, UK). Mr. Weijburg joined Hindustan Lever in February 1999 as Director, Detergents and Regional Category Leader for Asia for Laundry and Household Cleaners.

Particulars of Directorships of other Companies and Memberships of other Committees are given in the Annexure hereto.

**b) Communication to shareholders**

Hindustan Lever has its own web-site and all vital information relating to the Company and its performance, including quarterly results, official press releases and presentation to analysts are posted on the web-site. The Company's web-site address is [www.hll.com](http://www.hll.com).

The quarterly, half-yearly and annual results of the Company's performance are published in leading newspapers such as *Times of India* and *Hindu Business Line*.

**c) Investor grievances**

As mentioned earlier in this chapter, the Company has constituted a Shareholder/Investors' Grievances Committee for redressing shareholders' and investors' complaints. The status on complaints is reported to the Board of Directors as an agenda item. Mr. O.P. Agarwal, Company Secretary, is the compliance officer.

**d) Share transfer**

All share transfers are handled in-house by Hindustan Lever's Investor Service Department, which is registered with SEBI as a Category 2 Registrar.

**e) Details of non-compliance**

Company has been fully complaint with all matters relating to the capital market and the listing agreements except that the number of Independent Directors in the Board of Directors was lower than 50% of the total strength of the Board of Directors for the period January 1, 2002 to May 19, 2002 as required under sub-clause 1(A) of clause 49 of the listing agreement.

**f) General body meetings**

Details of the last three annual general meetings are given in Table 7.



**Table 7 : Date, time and venue of the last three AGMs**

Financial year (ended)	Date	Time	Venue
31 December 1999	25 April 2000	1500 hrs	Birla Matushri Sabhagarh, Marine Lines, Mumbai 400 020
31 December 2000	22 June 2001	1430 hrs	Birla Matushri Sabhagarh, Marine Lines, Mumbai 400 020
31 December 2001	26 June 2002	1500 hrs	Birla Matushri Sabhagarh, Marine Lines, Mumbai 400 020

**g) Postal ballots**

During the year 2002, pursuant to Section 192 A of the Companies Act, 1956, the shareholders of the Company had overwhelmingly approved by means of Postal Ballot the following disposals, through an Ordinary Resolution.

- transfer of the seeds business to its subsidiary, Paras Extra Growth Seeds Ltd.
- transfer of the business of industrial and institutional cleaning, popularly known as Diversey Lever, to Johnson Wax Professional Private Limited.

**OTHER INFORMATION**

In line with the approval of the Government, royalty payable to Unilever PLC for the year 2002 @ 1% of qualifying turnover amounts to Rs. 53.88 crores.

**AUDITOR'S CERTIFICATE ON CORPORATE GOVERNANCE**

As required by Clause 49 of the Listing Agreement, the auditor's certificate is given as an annexure to the Directors' Report.



## ANNEXURE

## PARTICULARS OF DIRECTORSHIPS OF OTHER COMPANIES AND MEMBERSHIPS OF OTHER COMMITTEES

Name of the Director	Other Directorships		Other Committee Memberships		
	Name of the Company	Position	Name of the Company	Committee	Position
M. S. BANGA	Indexport Limited	Chairman	NIL		
	Nepal Lever Limited	Chairman			
	Kimberly Clark Lever Limited	Chairman			
	Lever India Exports Limited	Chairman			
	SC Johnson Products Pvt. Ltd.	Chairman			
	Digital Securities Pvt. Ltd.	Chairman			
M. K. SHARMA	Vasishti Detergents Limited	Chairman	Hind Lever Chemicals Limited	Audit Committee	Member
	Nepal Lever Limited	Director		Remuneration Committee	Member
	Hindlever Chemicals Limited	Director		Investor Grievances Committee	Member
	Indexport Limited	Director		Investor Grievances Committee	Chairman
	Lever India Exports Limited	Director			
	Hind Lever Trust Limited	Director			
ADITYA NARAYAN	TOC Disinfectants Limited	Director	Vasishti Detergents Limited		
	ICI India Limited	Managing Director			
	Federation of Indian Chamber of Commerce and Industry	Director			
	ICI India Research & Technology Centre	Chairman			
V. NARAYANAN	Pond's Exports Limited	Chairman	NIL		
	MM Forgings Limited	Chairman			
	UCAL Fuel Systems Limited	Director			
	Glaxo Smithkline Pharmaceuticals Ltd.	Director	MM Forgings Limited	Audit Committee	Chairman
	Samtel Colour Limited	Director	Glaxo Smithkline Pharmaceuticals Ltd.	Audit Committee	Member
	FAL Industries Limited	Director	Chemplast Sanmar Ltd.	Audit Committee	Chairman
	Rane Madras Limited	Director	FAL Industries Limited	Audit Committee	Member
	Samcor Glass Limited	Director		Remuneration Committee	Member
	Tamil Nadu News Print & Papers Limited	Director	Bata India Limited	Audit Committee	Member
	Lafarge India Limited	Director	UCAL Fuel Systems Ltd.	Audit Committee	Chairman
	Foster's India Limited	Director	Rane Madras Limited	Audit Committee	Chairman
	Sundaram Fasteners Limited	Director	Sundaram Fasteners Ltd.	Audit Committee	Member
	Bata India Limited	Director			
	Chemplast Sanmar Limited	Director			
C. K. PRAHALAD	NCR Corporation	Director	NCR Corporation	Audit and Finance Committee	Member
	World Resources Institute	Director		Governance Committee	Member
D. S. PAREKH	Housing Development Finance Corporation Ltd.	Chairman	Glaxo SmithKline Pharmaceuticals Ltd.	Audit Committee	Chairman
	Infrastructure Development and Finance Co. Ltd.	Chairman	Mahindra & Mahindra Ltd.	Audit Committee	Chairman
	Glaxo SmithKline Pharmaceuticals Ltd.	Chairman	ICI India Ltd.	Audit Committee	Chairman
	Burroughs Wellcome (India) Ltd.	Chairman		Remuneration Committee	Member
	HDFC Asset Management Co. Ltd.	Chairman	Castrol India Ltd.	Audit Committee	Chairman
	HDFC Standard Life Insurance Co. Ltd.	Chairman	IDFC Ltd.	Compensation	Member
	HDFC Chubb General Insurance Co. Ltd.	Chairman	Burroughs Wellcome (India) Ltd.	Audit Committee	Member
	Mahindra and Mahindra Ltd.	Director	The Indian Hotels Co. Ltd.	Audit Committee	Member
	Hindustan Oil Exploration Corporation Ltd.	Director			
	ICI India Ltd.	Director			
	Castrol India Ltd.	Director			
	The Indian Hotels Co. Ltd.	Director			
	Asset Reconstruction Company (India) Ltd.	Director			
	National Thermal Power Corporation Ltd.	Nominee Director			
	Borax Morarji Ltd.	Alternate Director			
	Zodiac Clothing Co. Ltd.	Alternate Director			
	Bharat Bijlee Ltd.	Alternate Director			
	Exide Inds. Ltd.	Alternate Director			
	The Dharamsi Morari Chemicals Co. Ltd.	Alternate Director			
	Pathfinder Investment Co. Pvt. Ltd.	Director			



Name of the Director	Other Directorships		Other Committee Memberships		
	Name of the Company	Position	Name of the Company	Committee	Position
S. RAMADORAI	TATA Industries Limited	Director	Tata Infotech Limited	Remuneration Committee	Member
	Tata Infotech Limited	Director	Tata Technologies Ltd.	Audit	Chairman
	Tata Elxsi (India) Limited	Vice Chairman		Remuneration	Chairman
	Tata Internet Services Limited	Director	Tata Elxsi (India) Ltd.	Remuneration	Member
	Tata Technologies Limited	Chairman	Tata Elxsi (India) Ltd.	Audit	Member
	WTI Advanced Technology Ltd.	Director			
	Innova TV Inc. (USA)	Director			
	Engineering Analysis Center of Excellence Pvt. Ltd.	Director			
	Airline Financial Support Services (India) Pvt. Ltd. (AFS)	Director			
	Aviation Software Development Consultancy India Ltd.	Director			
	CMC Limited	Chairman			
	Jataayu Software (Pvt.) Limited	Director			
	Nicholas Piramal India Limited	Director			
GURDEEP SINGH	Hindlever Chemicals Limited	Director	NIL		
	Sivalik Cellulose Limited	Chairman			
	Nepal Lever Limited	Co-Chairman			
	Levers Associated Trust Ltd.	Director			
D. SUNDARAM	SBI Capital Markets Ltd.	Director			
	Quest International India Limited	Director	Quest International India Limited	Audit	Member
	Paras Extra Growth Seeds Limited	Director	Paras Extra Growth Seeds Ltd.	Audit	Member
AART C. WEIJBURG	SC Johnson Products Pvt. Ltd.	Director	NIL		

## ANNEXURE TO THE REPORT OF THE DIRECTORS

### CERTIFICATE FROM AUDITORS REGARDING COMPLIANCE OF CONDITIONS OF CORPORATE GOVERNANCE

#### To the Shareholders of Hindustan Lever Limited

We have examined the compliance of conditions of Corporate Governance by Hindustan Lever Limited, for the year ended 31st December, 2002 as stipulated in clause 49 of the Listing Agreements of the said Company with stock exchanges in India.

The compliance of conditions of Corporate Governance is the responsibility of the Company's Management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreements, except that the number of Independent Directors in the Board of Directors was lower than 50 per cent of the total strength of the Board of Directors for the period 1st January, 2002 to 19th May, 2002 as required under Sub-clause I (A) of Clause 49 of the Listing Agreements.

We state that in respect of investor grievances received during the year ended 31st December, 2002, no investor grievances are pending against the Company exceeding one month as per records maintained by the Company which are presented to the Shareholders/ Investors Grievance Committee.

We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

For A.F. FERGUSON & CO.  
Chartered Accountants

For LOVELOCK & LEWES  
Chartered Accountants

S.R. Tata  
(Partner)

Thomas Mathew  
(Partner)

Mumbai : 16th April, 2003



## Additional Shareholder Information

### Annual General Meeting

Date : 13 June 2003  
 Venue : Birla Matushri Sabhagar, Marine Lines, Mumbai - 400 020  
 Time : 15:00 hours

### Financial Calendar

Financial year : 1 January to 31 December

For the year ended 31 December 2002, results were announced on:

- 15 April 2002 : First quarter
- 22 July 2002 : Half yearly
- 25 October 2002 : Third quarter
- 29 January 2003 : Fourth quarter and annual.

For the year ended 31 December 2003, results will be announced on:

- 16 April 2003 : First quarter (Already announced)
- 23 July 2003 : Half yearly
- 15 October 2003 : Third quarter
- 30 January 2004 : Fourth quarter and annual.

### Book Closure

The book closure period for final dividend was from 8 April 2003 to 23 April 2003, inclusive of both days.

### Dividend Date

An interim dividend of Rs. 2.50 per share aggregating in all to Rs. 550.31 crores was declared on 22 July 2002 and paid on 21 August 2002. A final dividend of Rs. 3.00 per share aggregating in all to Rs. 660.37 crores was recommended on 29 January 2003. However, the Finance Bill, 2003 has proposed to charge Dividend Distribution Tax @ 12.81% (including surcharge) on dividends declared and paid by a Company, replacing tax on dividend income at the hands of the recipient shareholders. Consequently, the aforesaid proposed final dividend would include the Distribution Tax payable and therefore,\* the net dividend payable to the shareholders will work out to Rs. 2.659 per share. The financial outlay of the Company towards proposed final dividend inclusive of dividend distribution tax @ 12.81% would remain unaltered at Rs. 660.37 crores. The net dividend of Rs. 2.659 per share will be free of tax at the hands of the shareholders. Appropriate resolution in this regard would be placed before the shareholders in the ensuing Annual General Meeting and final dividend as approved at the AGM, will be paid on or after 16 June 2003.

### Bonus Debentures/Special Dividend

23 June 2003 has been fixed as the Record Date for ascertaining the entitlement of shareholders to the Bonus Debentures/Special Dividend as per the Scheme of Arrangement duly approved by the Hon'ble High Court of Judicature at Bombay. With the proposed changes in the Finance Bill 2003 regarding taxation of dividend, the Special Dividend of Rs. 2.76 per share as envisaged in the Scheme of Arrangement would be impacted by the dividend distribution tax payable @ 12.81% on the total amount of deemed dividend of Rs. 8.76 per share (Rs. 6/- per share by way of Bonus Debentures and Rs. 2.76 per share by way of Special Dividend) and such Special Dividend, therefore,\* will work out to Rs. 1.765 per share in the hands of the shareholders. The Special Dividend, as approved by the Board of Directors, will be paid on or after 8 July 2003.

### Listing

The Company's shares are listed and traded on the stock exchanges at Ahmedabad, Bangalore, Chennai, Cochin, Delhi, Kolkata, Guwahati and Mumbai, as well as the National Stock Exchange.

### Stock Codes

Name of the Stock Exchange	Stock Code
The Stock Exchange, Mumbai	500696
National Stock Exchange	HINDLEVER
Madras Stock Exchange	HLV
Cochin Stock Exchange	HLV
Guwahati Stock Exchange	794
Bangalore Stock Exchange	HINDLEVER
Ahmedabad Stock Exchange	HINDLEVER
Delhi Stock Exchange	100018
Calcutta Stock Exchange	100052

The ISIN Number of Hindustan Lever (or demat number) on both the NSDL and the CDSL is INE030A01027.

\* subject to Finance Bill, 2003 becoming an Act of Parliament without any changes in the proposals relating to Dividend Distribution Tax on dividend,

### Stock Data

Tables 1 and 2 respectively give the monthly high and low prices and volumes of Hindustan Lever at The Stock Exchange, Mumbai (BSE) and the National Stock Exchange (NSE) for the year ended December 31, 2002.

**Table 1 : Monthly share price data and volumes, BSE**

Month, 2002	High	Low	Volumes
January	222.85	210.40	11,432,398
February	249.80	217.35	14,679,875
March	262.50	225.35	10,664,259
April	227.80	202.80	18,426,364
May	213.10	184.85	11,335,206
June	203.05	189.00	11,426,666
July	194.80	171.00	9,181,173
August	186.70	166.20	12,476,372
September	188.80	172.65	9,620,843
October	176.75	152.80	16,546,648
November	172.50	158.05	13,981,363
December	183.45	171.55	10,383,429

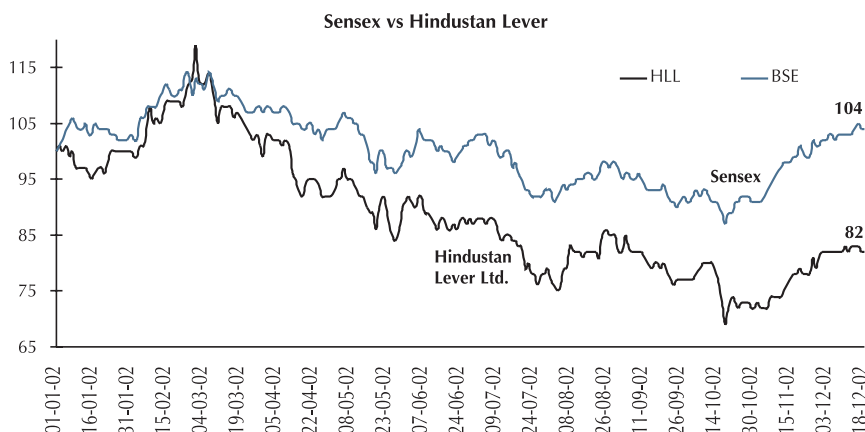
**Note :** High and low are in rupees per traded share. These are simple, un-weighted averages. Volume is the total monthly volume of trade (in numbers) in Hindustan Lever shares on the BSE.

**Table 2 : Monthly share price data and volumes, NSE**

Month, 2002	High	Low	Volumes
January	222.95	210.10	15,660,941
February	248.50	217.15	19,488,881
March	262.70	225.15	12,146,669
April	227.70	202.50	25,237,456
May	213.05	185.30	16,958,601
June	203.45	189.10	20,584,125
July	194.75	170.80	16,295,567
August	186.65	166.25	19,494,234
September	189.30	172.55	14,827,348
October	176.65	152.90	24,675,515
November	172.60	158.10	30,057,169
December	184.35	171.90	21,516,646

**Note :** High and low are in rupees per traded share. These are simple, un-weighted averages. Volume is the total monthly volume of trade (in numbers) in Hindustan Lever shares on the NSE.

**Chart A : Plots Hindustan Lever's share prices with the BSE Sensex for 2002**



Both BSE Sensex and Hindustan Lever share prices are indexed to 100 based on 1 January 2002.



**Capital appreciation of Hindustan Lever shares**

How have long term shareholders of HLL fared vis-à-vis the Sensex? Table 3 gives the closing share price on the first day of trading for every calendar year since 1995 (adjusted to the face value of Re.1 per share). If someone bought a Hindustan Lever share on 2 January 1995 and held on to it until 1 January 2003, then that person will have enjoyed a capital appreciation of almost 208 per cent. Compared to that, the BSE-Sensex would deliver -13.8 per cent.

**Table 3 : Value appreciation for Hindustan Lever shareholders**

Date of purchase	HLL share price (Rs.)	HLL appreciation	BSE-Sensex	Sensex appreciation
2-Jan-95	59.00	207.9%	3932	-13.8%
1-Jan-96	62.20	192.0%	3128	8.4%
1-Jan-97	81.70	122.3%	3261	4.0%
1-Jan-98	139.43	30.3%	3695	-8.3%
1-Jan-99	165.25	9.9%	3060	10.8%
3-Jan-00	239.12	-24.0%	5375	-36.9%
1-Jan-01	200.00	-9.2%	3955	-14.3%
1-Jan-02	220.50	-17.6%	3246	4.4%
1-Jan-03	181.65		3390	

**Note :** All comparisons are with respect to 1 January 2003 (the reference date).

**Distribution of shareholding**

Tables 4 and 5 gives the distribution pattern of shareholding of Hindustan Lever as on 31 December 2002.

**Table 4 : Distribution of Shareholding by size class, 31 December 2002**

Holdings	Shareholders		Shares	
	Number	% to Total	Number	% to Total
Up to 5000	356302	94.85	252916544	11.49
5001 - 10000	11797	3.14	82334063	3.74
10001 - 20000	5064	1.35	69279966	3.15
20001 - 30000	1189	0.32	28746639	1.31
30001 - 40000	447	0.12	15404379	0.70
40001 - 50000	233	0.06	10405720	0.47
50001 - 100000	313	0.08	21609716	0.98
100001 and above	293	0.08	1720117033	78.14
Intransit			429733	0.02
<b>Total</b>	<b>375638</b>	<b>100.00</b>	<b>2201243793</b>	<b>100.00</b>

**Table 5 : Distribution of shareholding by ownership, 31 December 2002**

Category	Share held (Nos.)	% of holdings
Unilever and its associates	1134849460	51.55
<b>Subtotal</b>	<b>1134849460</b>	<b>51.55</b>
Foreign Banks	117496	0.01
Foreign Financial Institutions	276692737	12.57
Foreign Nationals	3120	0.00
Non-Resident Indians	5655362	0.26
Overseas Corporate Bodies	14450	0.00
<b>Subtotal</b>	<b>282483165</b>	<b>12.83</b>
Bodies Corporate	18483467	0.84
General Insurance Corporation of India	136050158	6.18
Government Companies	860792	0.04
Industrial Development Bank of India	521510	0.02
Life Insurance Corporation of India	85876921	3.90
Mutual Fund	12288143	0.56
Nationalised Banks	2085577	0.09
Trusts	341115	0.02
Unit Trust of India	56755527	2.58
<b>Subtotal</b>	<b>313263210</b>	<b>14.23</b>
Resident Individuals	470054220	21.35
<b>Subtotal</b>	<b>470054220</b>	<b>21.35</b>
Directors and their Relatives	164005	0.01
<b>Subtotal</b>	<b>164005</b>	<b>0.01</b>
In transit	429733	0.02
<b>Subtotal</b>	<b>429733</b>	<b>0.02</b>
<b>Total</b>	<b>2201243793</b>	<b>100.00</b>



### Shares held in physical and dematerialised form

As on 31 December 2002, 40.30 per cent of Hindustan Lever's shares were held in dematerialised form and the rest in physical form. It needs to be said that Unilever and its affiliates own 51.55 per cent of the company's shares, which are all held in physical form. If these shares were to be excluded from the total number of shares, then dematerialised shares account for 83.19 per cent of the remainder.

### Outstanding GDRs/ADRs/Warrants/Convertible Instruments and their impact on equity

Not applicable for Hindustan Lever.

### Details of public funding obtained in the last three years

Not applicable, as Hindustan Lever has not obtained any public funding in the last three years.

### Mergers and acquisitions

Since the mid-1990s, Hindustan Lever's growth has been both organic and through mergers and acquisitions. The details of mergers from 1992 were published in the Annual Report and Accounts for the year 2001 as part of "Additional Shareholder Information" and are available on the Company's website [www.hll.com](http://www.hll.com). The Investor Service Department of the Company would also be happy to provide this information to the shareholders on request.

### Investor services

All share transfers and related operations are conducted in-house by Hindustan Lever's Investor Service Department, which is registered with the SEBI as a Category 2 Registrar. Under the overall supervision of Mr. O.P. Agarwal, Company Secretary. It is a well equipped department which endeavours to provide efficient and timely services to its shareholders in share transfers and related operations.

#### a) Address for correspondence

The Investor Service Department operates from CBD Belapur, Navi Mumbai with Mr. B. R. Gouniyal as the Unit Head. However, an extended counter facility has been provided at the Registered Office of Hindustan Lever to attend to shareholders' queries and for accepting letters and documents from the shareholders.

Investor correspondence should be addressed to :

Hindustan Lever Limited, Investor Service Department, "Dakshina", 3rd Floor, Plot No. 2, Sector 11, CBD Belapur, Navi Mumbai 400 614. Tel : 022-27575570 (7 lines), Fax : 022-27575473.

To allow us to service you with greater speed and efficiency we would suggest email based correspondence on all issues which do not require signature verifications for being processed. Emails can be sent through the Company's web-site [www.hll.com](http://www.hll.com)

For any general assistance at the Registered Office, investors may call on :

Tel : 022-22827285/22827452/22827557 Fax : 022-22026712.

#### b) Web-site ([www.hll.com](http://www.hll.com))

The new web-site rolled out in the year 2001, more than 50 frequently asked questions on various topics related to transfers and transmission of shares, dematerialisation, nomination, change of address, loss of share certificates, dividend and sub-division of share certificates, have been put for the benefit of the shareholders. In addition, various downloadable forms required to be executed by the shareholders have also been included in the web-site. A special facility has also been provided for shareholders to send in their suggestions/grievances, which are immediately responded to.



**c) Nomination in respect of shares held in physical form**

The Companies Act, 1956 now provides facility for making nominations by shareholders in respect of their holding of shares and several shareholders have opted to avail of such facility. However, a large number of shareholders are yet to make nominations in respect of their holdings in physical form. Such nomination greatly facilitates transmission of shares from the deceased shareholder to his/her nominee without having to go through the time consuming and cumbersome process of obtaining Succession Certificate/Probate of the Will. It would, therefore, be in the best interest of the shareholders holding shares in physical form as sole registered holders to make such nominations without any delay. Nominations will have to be made in the prescribed form which could be obtained from the Investor Service Department of the Company located at the Registered Office as well as Navi Mumbai. The Nomination Form is also available on the Company's website. It may be noted that for shares held in electronic form, the concerned shareholders have to register their nominations directly with their respective depository participants.

**d) Exchange of shares of Rs.10 with shares of Re.1**

After the sub-division of Hindustan Lever's shares of Rs.10 each into shares of Re.1 each, in the year 2001 the Company sent circulars to all the shareholders holding Rs.10 shares in physical form to exchange these for Re.1 share certificates.

Although a large number of such shareholders have done the exchange, there are still many who have not. They are requested to forward their old share certificates of the shares of Rs.10 each (which are no longer tradeable) at the Navi Mumbai address stated above, along with a request letter signed by all holders.

**e) Unclaimed dividends**

Under the Companies Act, 1956, dividends that are unclaimed for a period of seven years automatically get transferred to the Investor Education and Protection Fund administered by the Central Government. Table 6 gives the dates of dividend declaration or payment since 1995 and the corresponding dates when unclaimed dividends are due to be transferred to the Central Government. Table 7 gives the unclaimed dividend amount since 1995.

**Table 6 : Due dates for transferring Unclaimed dividend to the Investor Education and Protection Fund**

Year	Dividend	Type	Date of payment / declaration	Date of transfer
1995	40F	Final	28-Jun-1996	08-Aug-2003
1996	41I	Interim	04-Nov-1996	15-Dec-2003
1996	41F	Final	24-Jul-1997	03-Sep-2004
1997	42I	Interim	04-Nov-1997	15-Dec-2004
1997	42F	Final	15-May-1998	25-Jun-2005
1998	43I	Interim	04-Nov-1998	15-Dec-2005
1998	43F	Final	21-May-1999	01-Jul-2006
1999	44I	Interim	18-Oct-1999	28-Nov-2006
1999	44F	Final	25-April-2000	05-Jun-2007
2000	45I	Interim	19-Oct-2000	29-Nov-2007
2000	45F	Final	22-Jun-2001	02-Aug-2008
2001	46I	Interim	24-Jul-2001	22-Aug-2008
2001	46F	Final	28-Jun-2002	27-Jul-2009
2002	47I	Interim	21-Aug-2002	19-Sep-2009



Table 7 : Unclaimed dividend amount as on 31 December 2002

Year	Div. No.	Type	No. of warrants issued	No. of warrants unclaimed	% unclaimed	Amount of dividend (Rs. lakhs)	Dividend unclaimed (Rs. lakhs)	% unclaimed
1995	40F	Final	234560	9298	4.0	7292.00	47.23	0.6
1996	41I	Interim	229116	9679	4.2	8736.00	65.75	0.7
1996	41F	Final	402956	19675	4.9	12946.00	225.92	1.7
1997	42I	Interim	391195	20481	5.2	14938.00	127.15	0.9
1997	42F	Final	339301	17377	5.1	18921.00	120.52	0.6
1998	43I	Interim	330371	16855	5.1	19119.00	131.33	0.7
1998	43F	Final	354211	16734	4.7	27227.00	176.29	0.6
1999	44I	Interim	346323	16818	4.9	26348.00	163.47	0.6
1999	44F	Final	353016	15244	4.3	37410.00	202.66	0.5
2000	45I	Interim	374828	21000	5.6	33009.00	211.42	0.6
2000	45F	Final	373306	18590	5.0	44012.00	248.44	0.6
2001	46I	Interim	369667	18294	4.9	55015.00	279.41	0.5
2001	46F	Final	352240	24695	7.0	55031.09	348.01	0.6
2002	47I	Interim	370239	28784	7.8	55031.09	384.75	0.7

**Note :** The above excludes information pertaining to the erstwhile Tata Oil Mills Company Limited, Brooke Bond Lipton India Limited and Pond's (India) Limited.

**f) Number and nature of complaints regarding shares**

Complaints have reduced substantially. Chart B shows the decline over the last five years. Table 8 gives the data on complaints regarding shares during the year ended 31 December 2002.

Chart B : Complaints are going down

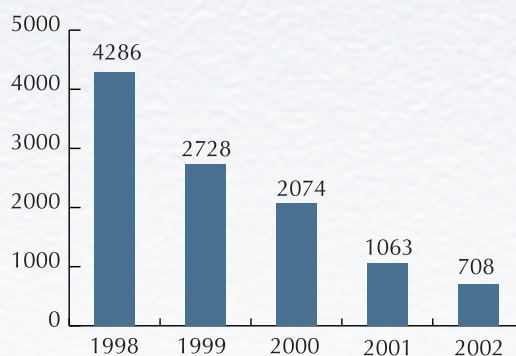


Table 8 : Details of complaints regarding shares for the year 2002

Nature of complaint	Number of complaints	Number redressed
Non-receipt of dividend	288	284
Non-receipt of shares lodged for transfer	275	273
Others	145	140
<b>Total</b>	<b>708</b>	<b>697</b>

All eleven complaints received in December 2002 which could not be redressed by 31 December 2002 have been subsequently resolved.





# financials

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## Significant Accounting Policies

### Basis for Preparation of Accounts

The accounts have been prepared to comply in all material aspects with applicable accounting principles in India, the Accounting Standards issued by the Institute of Chartered Accountants of India and the relevant provisions of the Companies Act, 1956.

### Revenue Recognition

Sales are recognised when goods are supplied and are recorded net of trade discounts, rebates, sales taxes and excise duties (on goods manufactured and outsourced) but include, where applicable, export incentives such as duty drawbacks and premiums on sale of import licences. It does not include inter-divisional transfers.

Income from Property Development Activity is recognised under the completed contract method and in terms of arrangements with developers, where applicable.

Incomes from services rendered are booked based on agreements / arrangements with the concerned parties.

Interest on investments are booked on a time proportion basis taking into account the amounts invested and the rate of interest.

Dividend incomes on investments are accounted for when the right to receive the payment is established.

### Expenditure

Expenses are accounted for on accrual basis and provision is made for all known losses and liabilities.

Advertising expenses are charged against the profit of the year to which the activities relate.

Revenue expenditure on research and development is charged against the profit of the year in which it is incurred. Capital expenditure on research and development is shown as an addition to fixed assets.

### Goodwill and other Intangible Assets

Trademarks acquired after 1st January, 1998 are amortised over a period of 4 years. Other intangible assets including goodwill are written off in the year in which they are incurred.

### Fixed Assets

Fixed assets are stated at cost less depreciation except in the case of certain Land and Development in the Tea Estates Division shown at revalued amount. In Tea/Coffee estates, the cost of extension planting of cultivable land including cost of development is capitalised.

Depreciation is provided (except in the case of leasehold land which is being amortised over the period of the lease) on the straight line method and at the rates and in the manner specified in Schedule XIV of the Companies Act, 1956. However,

- certain employee perquisite-related assets are depreciated over four to six years, the period of the perquisite scheme.
- computers and related assets are depreciated over four years and
- certain assets of the cold chain are depreciated over four / seven years.

Assets identified and evaluated technically as obsolete and held for disposal are stated at their estimated net realisable values.

### Investments

Investments are classified into current and long-term investments. Current investments are stated at the lower of cost and fair value.

Long-term investments are stated at cost. A provision for diminution is made to recognise a decline, other than temporary, in the value of long term investments.

### Inventories

Inventories are valued at the lower of cost, computed on a weighted average basis, and estimated net realisable value, after providing for cost of obsolescence and other anticipated losses, wherever considered necessary. Finished goods and work-in-progress include costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

### Sundry Debtors and Loans and Advances

Sundry debtors and Loans and Advances are stated after making adequate provisions for doubtful balances.

### Retirement / Post Retirement Benefits

Contributions to defined contribution schemes such as Provident Fund and Family Pension Fund are charged to the profit and loss account as incurred. The Company also provides retirement / post-retirement benefits in the form of gratuity, pensions, leave encashment and medical.

Such benefits are provided for based on valuations, as at the balance sheet date, made by independent actuaries.

### Taxes on Income

Current tax is determined as the amount of tax payable in respect of taxable income for the period.

Deferred tax is recognised, subject to the consideration of prudence, on timing differences, being the difference between taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods. Deferred tax assets are not recognised on unabsorbed depreciation and carry forward of losses unless there is virtual certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised.

### Foreign Currency Translations

Foreign currency assets and liabilities covered by forward contracts are stated at the forward contract rates while those not covered by forward contracts are restated at rates ruling at the year end. Exchange differences relating to fixed assets are adjusted in the cost of the asset. Any other exchange differences are dealt with in the profit and loss account.

### Segment Reporting

The accounting policies adopted for segment reporting are in line with the accounting policies of the Company with the following additional policies for segment reporting.

- a) inter segment revenue have been accounted for based on the transaction price agreed to between segments which is primarily market led.
- b) Revenue and expenses have been identified to segments on the basis of their relationship to the operating activities of the segment.

Revenue and expenses, which relate to the enterprise as a whole and are not allocable to segments on a reasonable basis, have been included under "Unallocated corporate expenses".



## Profit and Loss Account for the year ended 31st December, 2002

Figures in brackets represent deductions

	Notes	2002 Rs. lakhs	2001 Rs. lakhs
<b>INCOME</b>			
Sales	1	<b>9954,85.30</b>	10667,55.69
Other income	2	<b>384,54.22</b>	381,79.05
Total		<b>10339,39.52</b>	11049,34.74
<b>EXPENDITURE</b>			
Operating expenses	3-5	<b>(7998,99.50)</b>	(8953,57.13)
Depreciation		<b>(134,10.06)</b>	(144,65.97)
Interest	7	<b>(9,18.40)</b>	(7,74.42)
Total		<b>(8142,27.96)</b>	(9105,97.52)
<b>PROFIT BEFORE TAXATION AND EXCEPTIONAL ITEMS</b>		<b>2197,11.56</b>	1943,37.22
Taxation for the year	10	<b>(458,94.00)</b>	(397,69.00)
– current tax		<b>(20,91.00)</b>	(4,73.00)
– deferred tax			
<b>PROFIT AFTER TAXATION AND BEFORE EXCEPTIONAL ITEMS</b>		<b>1717,26.56</b>	1540,95.22
Exceptional items (net of tax)	14	<b>38,41.90</b>	100,36.13
<b>NET PROFIT</b>		<b>1755,68.46</b>	1641,31.35
Taxation adjustments of previous years (net)		<b>14,05.17</b>	(1,01.36)
Balance brought forward		<b>759,97.56</b>	442,98.62
<b>Available for distribution</b>		<b>2529,71.19</b>	2083,28.61
Dividends (2002 - subject to deduction of income - tax) :			
On equity shares :			
Interim - Rs. 2.50 per share - declared on 22nd July, 2002		<b>(550,31.09)</b>	(550,14.88)
Interim dividend payable to the shareholders of the erstwhile International Bestfoods Limited pursuant to the Scheme of Amalgamation		—	(16.22)
Final - Rs. 3.00 per share - proposed		<b>(660,37.31)</b>	(550,31.09)
Tax on distributed profits [2002 - credit (2001 - after considering credit of Rs. 54,57.48 lakhs ) pertaining to the previous year]		<b>56,13.17</b>	(57,68.86)
Transfer to General Reserve		<b>(177,00.00)</b>	(165,00.00)
<b>Balance carried forward</b>		<b>1198,15.96</b>	759,97.56
<b>Earnings Per Share (Rs.) - Basic &amp; Diluted (Face value of Re.1 each)</b>		<b>7.98</b>	7.46

For notes, statements, additional information, segment information, cash flow statement, related party disclosures and accounting policies

See pages: F1, F4 to F6, F17 to F29, F31 and F32

As per our report attached to the balance sheet

For A.F. FERGUSON & CO.  
Chartered Accountants

For LOVELOCK & LEWES  
Chartered Accountants

S.R. Tata  
(Partner)

Thomas Mathew  
(Partner)

Mumbai : 29th January, 2003

Signatures to pages : F1, F2, F4 to F6,  
F17 to F29, F31 and F32

M.S. Banga  
M.K. Sharma  
D. Sundaram  
P. Kabra  
O.P. Agarwal

Chairman  
Vice Chairman  
Finance Director  
Group Controller  
Company Secretary

Mumbai : 29th January, 2003

## Balance Sheet as at 31st December, 2002

Figures in brackets represent deductions

	Schedule		2002 Rs. lakhs	2001 Rs. lakhs
<b>SOURCES OF FUNDS</b>				
<b>Shareholders' funds</b>				
Capital	1	220,12.44	220,12.44	
Reserves and surplus	2	3438,75.14	3658,87.58	2823,56.74
				3043,69.18
<b>Loan funds</b>				
Secured loans	3	19,61.50		43,04.39
Unsecured loans	4	38,68.26	58,29.76	40,69.47
			3717,17.34	83,73.86
				3127,43.04
<b>APPLICATION OF FUNDS</b>				
<b>Fixed assets</b>				
Gross block		1994,36.41		1935,87.62
Depreciation		(778,89.64)		(726,34.20)
Net block	5	1215,46.77		1209,53.42
Capital work-in-progress		106,86.88	1322,33.65	110,52.60
				1320,06.02
<b>Investments</b>	6		2364,74.10	
				1635,93.12
<b>Current assets, loans and advances</b>				
Inventories	7	1278,73.62		1240,03.62
Sundry debtors	8	367,85.04		424,78.47
Cash and bank balances	9	942,62.60		913,15.69
Other current assets	10	46,30.22		50,61.56
Loans and advances	11	795,55.40		798,18.70
		3431,06.88		3426,78.04
<b>Current liabilities and provisions</b>				
Liabilities	12	(2465,34.09)		(2410,41.86)
Provisions	13	(1205,55.34)		(1091,40.42)
		(3670,89.43)		(3501,82.28)
<b>Net current assets</b>			(239,82.55)	(75,04.24)
<b>Deferred Tax</b>				
Deferred Tax Assets	14	387,30.63		349,61.26
Deferred Tax Liabilities	15	(117,38.49)	269,92.14	(103,13.12)
			3717,17.34	246,48.14
				3127,43.04

For schedules, contingent liabilities, additional information,  
segment information, cash flow statement, related party  
disclosures and accounting policies  
See pages : F1, F7 to F16, F23 to F29, F31 and F32

As per our report attached

For A.F. FERGUSON & CO.  
Chartered Accountants

For LOVELOCK & LEWES  
Chartered Accountants

S.R. Tata  
(Partner)

Thomas Mathew  
(Partner)

Mumbai : 29th January, 2003

Signatures to pages : F1, F3, F7 to F16,  
F23 to F29, F31 and F32

M.S. Banga  
M.K. Sharma  
D. Sundaram  
P. Kabra  
O.P. Agarwal

Chairman  
Vice Chairman  
Finance Director  
Group Controller  
Company Secretary

Mumbai : 29th January, 2003



## Notes to Profit and Loss Account

	2002 Rs. lakhs	2001 Rs. lakhs
<b>INCOME</b>		
<b>1. Sales</b>	<b>10951,61.03</b>	<b>11781,29.57</b>
Less : Excise duty (Note 6)	(996,75.73)	(1113,73.88)
	<b>9954,85.30</b>	<b>10667,55.69</b>
Sales include duty drawback and licence premium on exports	<b>23,25.49</b>	<b>26,26.28</b>
<b>2. Other income</b>		
Income from services rendered	82,08.20	54,15.81
Income from property development activity	1,51.13	—
Interest income - bank and other accounts (gross) (Tax deducted at source Rs.19,83.82 lakhs; 2001 - Rs.16,48.43 lakhs)	94,54.34	86,85.58
Interest income - non trade (gross) (Note 8) (Tax deducted at source Rs. 6,36.95 lakhs; 2001 - Rs. 9,16.18 lakhs)	101,56.91	105,40.84
Interest income - investment in subsidiary - long term (gross) (Tax deducted at source Rs. 3.05 lakhs; 2001 - Rs. Nil)	66.80	—
Dividend income - trade - long term (gross) (Tax deducted at source Rs. 1,08.56 lakhs; 2001 - Rs.Nil)	10,72.34	9,41.63
Dividend income - non trade - long term (gross) (Tax deducted at source Rs. 95.31 lakhs; 2001 - Rs.Nil)	6,94.21	13,80.05
Dividend income - non trade - current (gross) (Tax deducted at source Rs. 44.68 lakhs; 2001 - Rs. Nil)	15,57.96	21,43.86
Dividend income - Subsidiaries - long term (gross) (Tax deducted at source Rs. 2,01.65 lakhs; 2001 - Rs. 11.49 lakhs)	22,37.82	18,19.72
Surplus on disposal of investments (net) (Note 9)	28,20.61	44,49.44
Miscellaneous income	20,33.90	28,02.12
	<b>384,54.22</b>	<b>381,79.05</b>
<b>OPERATING EXPENSES</b>		
<b>3. Materials consumed and Purchase of goods</b>		
Raw materials consumed	3238,70.46	3202,07.53
Packing materials consumed	666,04.61	647,49.16
Purchase of goods (Note 6)	1294,71.85	2196,15.55
<b>4. General expenditure</b>		
Salaries, wages, bonus, etc. including compensation under voluntary separation schemes	526,74.80	504,57.36
Contribution to provident and other funds	37,70.69	51,18.41
Workmen and staff welfare expenses	34,65.22	35,94.93
Processing charges	161,58.17	147,21.93
Consumption of stores and spare parts	33,67.72	32,23.58
Repairs and maintenance — Buildings	15,14.56	17,98.57
— Plant	41,48.75	41,07.60
— Others	9,12.03	9,38.03
Power, light, fuel and water	166,40.98	152,76.71
Rent	69,36.85	67,69.24
Rates and taxes — Excise duty (Note 6)	(20,58.09)	7,59.78
— Others	86,83.01	102,91.10
Insurance	7,43.25	6,90.98
Advertising and sales promotion	841,86.23	823,81.76
Carriage and freight	401,54.84	465,86.07
Agents' commission and brokerage	5,60.95	11,92.37
Provision / (write back) for doubtful debts and advances (net)	(8,65.30)	65.96
Travelling and motor car expenses	103,92.76	119,16.02
Deficit on fixed assets sold, scrapped, etc. (net)	4,08.67	8,38.22
Miscellaneous expenses (Note 13 and 16)	306,24.03	322,24.48
Expenses shared by certain current and erstwhile subsidiary companies for use of common facilities	(20,83.18)	(26,31.54)
<b>5. Stocks</b>		
Opening stocks :		
— Work-in-progress	47,71.85	49,27.71
— Processed chemicals	10,87.20	14,23.42
— Finished goods	577,11.56	575,55.13
Adjustment to stocks :		
— As at 30th March, 2002, of Seeds business [Note 15 (i)]	(17,04.05)	—
— As at 1st April, 2002, of Leather Exports business [Note 15 (ii)]	(4,33.38)	—
— As at 3rd May, 2002, of Diversey Lever business [Note 15 (iii)]	(1,19.79)	—
— As at 1st July, 2002 of Mushroom Exports business [Note 15 (iv)]	(5,16.22)	—
— As at 31st March, 2001, of the Quest Business	—	(4,68.73)
— As at 1st July, 2001, of the International Bestfoods Limited and Aviance Limited	—	6,80.64
— As at 10th December, 2001, of the Nickel catalyst Business	—	(59.16)
— As at 28th December, 2001, of the Adhesives Business	—	(25.07)
Closing stocks :		
— Work-in-progress	(45,93.68)	(47,71.85)
— Processed chemicals	(5,84.76)	(10,87.20)
— Finished goods	(560,03.09)	(577,11.56)
	<b>7998,99.50</b>	<b>8953,57.13</b>

## Notes to Profit and Loss Account

6. With a view to harmonise the reporting of excise duty relating to outsourced products in line with that of in-house manufactured products, excise duty relating to outsourced products has been reduced from Purchase of Goods and adjusted as appropriate, in Sales. Consequently Purchase of Goods is net of excise duty amounting to Rs. 163,58.38 lakhs (2001 - Rs. 303,59.00 lakhs). After adjusting for the movement in opening and closing inventories of such outsourced products, Sales is lower by Rs. 171,77.77 lakhs (2001 - Rs. 304,34.00 lakhs). This reclassification has no impact on the net profit reported for either the current or the previous year.
7. Interest paid on bank and other accounts Rs. 9,16.90 lakhs (2001 - Rs. 7,70.47 lakhs) and on debentures and fixed loans Rs. 1.50 lakhs (2001 - Rs. 3.95 lakhs).
8. Interest received - non trade (gross) comprises of Rs. 17,54.55 lakhs (2001 - Rs. 3,76.77 lakhs) and Rs. 84,02.36 lakhs (2001 - Rs. 101,64.07 lakhs) in respect of long term and current investments respectively.
9. Surplus on disposal of investments (net) comprises of:
  - a profit on disposal of current investments (net) Rs. 28,20.61 lakhs (2001 - Rs. 58,60.02 lakhs)
  - a loss on disposal of long term investments (net) Rs. Nil (2001 - Rs. 14,10.58 lakhs)
10. The tax year for the Company being the year ending 31st March, the provision for taxation for the year is the aggregate of the provision made for the three months ended 31st March, 2002 and the provision based on the figures for the remaining nine months up to 31st December, 2002, the ultimate tax liability of which will be determined on the basis of the figures for the period 1st April, 2002 to 31st March, 2003.
11. The net difference in foreign exchange (i.e. the difference between the spot rates on the dates of the transactions, and the actual rates at which the transactions are settled / appropriate rates applicable at the year end) credited to the Profit and Loss Account is Rs. 5,35.48 lakhs (2001 - Rs. 1,59.10 lakhs).

	2002 Rs. lakhs	2001 Rs. lakhs
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### 12. Operating expenses include

<b>A)</b> Auditors' remuneration and expenses		
i) Audit fees	1,57.50	1,36.50
ii) Tax audit fees	78.75	68.25
iii) Fees for management services	1.05	15.99
iv) Fees for other services	1,81.59	1,91.95
v) Reimbursement of out-of-pocket expenses	57.84	89.46
<b>B)</b> Payments to Cost auditors		
i) Cost audit fees	4.73	4.73
ii) Reimbursement of out-of-pocket expenses	0.31	2.02
<b>C)</b> Research and Development expenses	24,82.45	37,24.03

### 13. Miscellaneous expenses

- i) is net of credit on reversal / writeback of provision for estimated losses on disposal of fixed assets rendered surplus Rs. 17,18.00 lakhs (net) (2001 - includes provision of Rs. 19,89.00 lakhs (net)).  
The loss arising out of disposal is included in "Deficit on fixed asset sold, scrapped, etc. (net)".
- ii) includes charge for provision on diminution in value of long term investments Rs. 1.15 lakhs (2001 - credit for write back of Rs. 29,50.00 lakhs (net)).
- iii) is net of credit for write back of charge in respect of excess of cost over fair value of current investments (net) Rs. 1,96.91 lakhs (2001 - charge of Rs. 4.78 lakhs (net)).

	2002 Rs. lakhs	2001 Rs. lakhs
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### 14. Exceptional Items

i) Profit arising from the sale of the Seeds business (Refer Note 15 (i) below)	74,72.18	—
ii) Profit arising from sale of Diversey Lever business (Refer Note 15 (iii) below)	46,87.19	—
iii) Transfer of Trademarks pertaining to Animal Feeds business	—	22,59.49
iv) Profit arising from the sale of the Quest Flavours and Fragrances business, etc.	—	119,86.00
v) Profit arising from the sale of the Nickel Catalyst and Adhesives businesses	—	17,14.14
<b>Total exceptional income</b>	<b>121,59.37</b>	<b>159,59.63</b>
vi) Loss on sale of Mushroom Exports business (Refer Note 15 (iv) below)	(6,84.47)	—
vii) Provision for additional liability for retirement / post retirement and other employee benefits consequent to increase in annuity rates announced by Life Insurance Corporation of India arising from fall in interest rates, and review of assumptions used for actuarial valuations	(120,68.00)	—



## Notes to Profit and Loss Account

		2002 Rs. lakhs	2001 Rs. lakhs
<b>14. Exceptional Items (Contd.)</b>			
viii) Costs incurred, etc. for discontinuance of the Thermometer operations		—	(11,00.00)
ix) Provision for estimated losses on disposal of fixed assets consequent to the restructuring of Culinary manufacturing operations		—	(19,24.75)
x) Provision for estimated costs on restructuring of the Ice Cream operations		—	(43,04.23)
xi) Provision for additional liability for retirement / post retirement benefits and other employee benefits arising from reduction in interest rates and consequent review of assumptions used for actuarial valuations		—	(63,28.76)
<b>Total exceptional expenditure</b>		<b>(127,52.47)</b>	<b>(136,57.74)</b>
<b>Net</b>		<b>(5,93.10)</b>	<b>23,01.89</b>
Taxation on the above	- Credit on current tax	—	1,07.10
	- Credit on deferred tax	<b>44,35.00</b>	<b>47,60.14</b>
xii) One time reduction in tax liability arising from the amalgamation of International Bestfoods Limited with the Company		—	28,67.00
<b>Total tax credit</b>		<b>44,35.00</b>	<b>77,34.24</b>
<b>Exceptional items (net of tax)</b>		<b>38,41.90</b>	<b>100,36.13</b>
<b>15.</b>			
i) The Seeds business was sold to Paras Extra Growth Seeds Limited (PEGSL), a subsidiary company effective 30th March, 2002, consequent to an agreement having been entered into with PEGSL and the India Seed Holdings Limited. In terms of the agreement, the shareholding of HLL in PEGSL has been reduced to 26% in March, 2002.			
ii) The Company sold at cost, the Leather Exports business to Pond's Exports Limited, a wholly owned subsidiary company, effective 1st April, 2002.			
iii) The Company's undertaking engaged in Industrial and Institutional cleaning business (popularly known as Diversey Lever business) was sold to Johnson Wax Professional Private Limited effective 3rd May, 2002.			
iv) The Company sold the Mushroom Exports business to KICM (Madras) Limited, a wholly owned subsidiary company, effective 1st July, 2002.			
v) In view of the sale of the aforesaid businesses, the previous year figures are to that extent not comparable.			
<b>16.</b>	The cost of property development activity including movements in work-in-progress are as under :		
		<b>2002 Rs. lakhs</b>	<b>2001 Rs. lakhs</b>
Property Development Activity - Work-in-progress as at 1st January		<b>7,21.58</b>	3,77.86
Add : Construction cost	<b>5,83.26</b>		3,18.25
Power, light, fuel and water	<b>0.82</b>		8.75
Rates and taxes - others	<b>41.24</b>		3.17
Miscellaneous expenses	<b>21.01</b>		13.55
		<b>6,46.33</b>	3,43.72
		<b>13,67.91</b>	7,21.58
Less : Property Development Activity - Work-in-progress as at 31st December		<b>13,65.22</b>	7,21.58
Cost of property sold, included in miscellaneous expenses		<b>2.69</b>	—
<b>17.</b>	Earnings Per Share has been computed as under :		
Net Profit (Rs.lakhs)		<b>1755,68.46</b>	1641,31.35
Weighted average number of Equity shares outstanding		<b>2,20,12,43,793</b>	2,20,09,22,097
Earnings Per Share (Rs.) - Basic and Diluted (Face value of Re.1 per share)		<b>7.98</b>	7.46
<b>18.</b>	The Company's significant leasing arrangements are in respect of operating leases for premises (residential, office, stores godown etc.). These leasing arrangements which are not non-cancellable range between 11 months and 10 years generally, or longer, and are usually renewable by mutual consent on mutually agreeable terms. The aggregate lease rentals payable are charged as Rent under note 4 to profit and loss account.		
<b>19.</b>	Taxation adjustments of previous years include interest, etc.		
<b>20.</b>	Previous year's figures have been regrouped wherever necessary to conform to this year's classification.		

## Schedules to Balance Sheet

		2002 Rs. lakhs	2001 Rs. lakhs
<b>1. CAPITAL</b>			
<b>Authorised</b>			
2,25,00,00,000	equity shares of Re. 1 each	<u>225,00.00</u>	<u>225,00.00</u>
<b>Issued and subscribed</b>			
2,20,12,43,793	equity shares of Re. 1 each fully called and paid up	<u>220,12.44</u>	<u>220,12.44</u>
Of the above shares			
(i) 1,13,48,49,460	Shares of Re. 1 each are held by Unilever PLC., the holding company, and its subsidiaries including 79,48,06,750 shares of Re. 1 each held by Unilever PLC.		
(ii) 79,19,31,203	Shares of Re. 1 each are allotted as fully paid up pursuant to a contract for a consideration other than cash		
(iii) 1,31,68,54,620	Shares of Re. 1 each are allotted as fully paid up bonus shares by way of capitalisation of share premium and accumulated profits.		
		<u>220,12.44</u>	<u>220,12.44</u>

The Company has granted share options under the Company's Employees' Stock Option Scheme and share options outstanding as at 31st December, 2002 are 55,45,951. Of these 23,72,800 options will vest in 2004 and 31,73,151 in 2005.

Also see Schedule 17

					Rs. lakhs
	As at 31st December, 2001	Adjustments on amalgamation (b)	Additions	Deductions	As at 31st December, 2002
<b>CAPITAL RESERVES</b>					
Capital Reserve	3,45.93	—	—	—	3,45.93
Capital Subsidy	3,15.93	—	—	—	3,15.93
Capital Redemption Reserve	1,15.00	—	—	—	1,15.00
Share Premium Account	263,26.13	—	—	—	263,26.13
Revaluation Reserve	66.59	—	—	—	66.59
Other Reserves (d)	2,51.05	—	—	—	2,51.05
Total Capital Reserves	274,20.63	—	—	—	274,20.63
<b>REVENUE RESERVES</b>					
Export Profit Reserve	12,21.95	—	—	—	12,21.95
Development Allowance Reserve	26.72	—	—	—	26.72
General Reserve	1776,89.88	— (a)	177,00.00	—	1953,89.88
Total Revenue Reserves	1789,38.55	—	177,00.00	—	1966,38.55
<b>PROFIT AND LOSS ACCOUNT BALANCE</b>	759,97.56	— (a)	1198,15.96	(c) (759,97.56)	1198,15.96
<b>TOTAL RESERVES – 31st December, 2002</b>	<b>2823,56.74</b>	<b>—</b>	<b>1375,15.96</b>	<b>(759,97.56)</b>	<b>3438,75.14</b>
<b>TOTAL RESERVES – 31st December, 2001</b>	<b>2268,16.28</b>	<b>(130,19.47)</b>	<b>1128,58.55</b>	<b>(442,98.62)</b>	<b>2823,56.74</b>

(a) Transfer from profit and loss account.

(b) Reserves (net of adjustments) of the erstwhile International Bestfoods Limited and Aviance Limited taken over.

(c) Transfer to profit and loss account.

(d) Not available for capitalisation / declaration of dividend / share valuation.

		2002 Rs. lakhs	2001 Rs. lakhs
<b>3. SECURED LOANS</b>			
Bank overdrafts			
– secured by hypothecation of stocks, book debts, etc.		<u>7,69.95</u>	<u>24,70.09</u>
	<b>A</b>	<u>7,69.95</u>	<u>24,70.09</u>
Other loans and advances			
– Secured by a first charge on certain movable and immovable fixed assets and second charge on current assets		<u>11,91.55</u>	<u>18,11.20</u>
– Secured by charges on certain assets		<u>—</u>	<u>23.10</u>
	<b>B</b>	<u>11,91.55</u>	<u>18,34.30</u>
<b>Total (A+B)</b>		<u><u>19,61.50</u></u>	<u><u>43,04.39</u></u>

<b>4. UNSECURED LOANS</b>			
Other loans and advances other than from banks (repayable before 31st December, 2003 - Rs. 34.70 lakhs; 2002 - Rs. 3,33.01 lakhs)		<u>38,68.26</u>	<u>40,69.47</u>
		<u><u>38,68.26</u></u>	<u><u>40,69.47</u></u>



## Schedules to Balance Sheet

## 5. FIXED ASSETS

Rs. lakhs

	GROSS BLOCK					DEPRECIATION					NET BLOCK	
	Cost/ Valuation as at 31st December, 2001	Cost as at 1st July, 2001 taken over consequent to amalgamation (d)	Additions	Deductions/ Transfers	Cost/ Valuation as at 31st December, 2002	As at 31st December, 2001	Depreciation as at 1st July, 2001 taken over consequent to amalgamation (d)	Additions	Deductions/ Transfers	As at 31st December, 2002	As at 31st December, 2002	As at 31st December, 2001
Land – Freehold	41,00.93	—	3,42.01	(2,30.50)	42,12.44	—	—	—	—	—	42,12.44	41,00.93
– Leasehold	26,10.26	—	67.66	(42.31)	26,35.61	1,76.99	—	22.51	(12.73)	1,86.77	24,48.84	24,33.27
Buildings (a)	437,85.60	—	40,70.97	(16,33.02)	462,23.55	70,17.30	—	11,31.28	(3,20.99)	78,27.59	383,95.96	367,68.30
Railway sidings	1.35	—	—	—	1.35	1.35	—	—	—	1.35	—	—
Plant & machinery	1013,71.19	—	138,54.70	(122,72.11)	1029,53.78	398,52.04	—	71,77.67	(74,33.97)	395,95.74	633,58.04	615,19.15
Furniture, fittings & office equipment	206,10.87	—	30,47.33	(17,52.20)	219,06.00	102,33.86	—	25,57.66	(3,59.96)	124,31.56	94,74.44	103,77.01
Trade Marks	161,79.87	—	—	—	161,79.87	139,42.33	—	19,79.52	—	159,21.85	2,58.02	22,37.54
Motor vehicles	49,27.55	—	2,86.23	1,10.03	53,23.81	14,10.33	—	5,41.42	(26.97)	19,24.78	33,99.03	35,17.22
<b>Total – 2002</b>	<b>1935,87.62</b>	<b>—</b>	<b>216,68.90</b>	<b>(158,20.11)</b>	<b>1994,36.41</b>	<b>726,34.20</b>	<b>—</b>	<b>134,10.06</b>	<b>(81,54.62)</b>	<b>778,89.64</b>	<b>1215,46.77</b>	<b>1209,53.42</b>
– 2001	1668,73.65	51,48.54	308,55.59	(92,90.16)	1935,87.62	594,94.99	2,542.16	144,65.97	(38,68.92)	726,34.20	1209,53.42	

**NOTES :** (a) Buildings include Rs. 2.57 lakhs (2001 - Rs. 2.57 lakhs) being the value of shares in co-operative housing societies.

(b) The title deeds of immovable properties aggregating Rs. 30,16.74 lakhs (2001 - Rs. 30,16.74 lakhs), acquired on transfer of business / undertakings are in the process of being transferred in the name of the Company.

(c) Capital expenditure commitments - Rs.25,88.88 lakhs (2001 - Rs. 58,39.14 lakhs).

(d) Taken over, pursuant to the Scheme of Amalgamation of International Bestfoods Limited and Aviance Limited with the Company.

(e) (i) Under the Gudalur Jannam Estates (Abolition and Conversion into Ryotwari) Act, 1969, the right and title to certain leasehold land may be altered at a later date, the nature and effect of which cannot be ascertained at present. However, appropriate steps have been taken to protect the Company's interest.

(ii) Under the Tamil Nadu Land Reforms (Fixation of Ceiling of Land) Act, 1961, the Company has to surrender 6,107.68 acres of surplus land (Cost Rs. 1.95 lakhs) to the Authorities and the case for determination of 297.50 acres as surplus land (Cost Rs. 0.10 lakh) has been remanded to the Authorities by the Special Land Reforms Appellate Tribunal for re-examination.

Adjustment in the accounts will be made as and when the exact compensation receivable for surplus land is determined.

(iii) Compensation in respect of 1,398.78 Hectares of undeveloped land acquired by the Government of Assam under the Assam Fixation of Ceiling of Land Holdings Act, 1956 and disputed by the Company will be accounted for as and when received.

## Schedules to Balance Sheet

			2002 Rs. lakhs	2001 Rs. lakhs
6.	<b>INVESTMENTS</b> (Long term, Unquoted, unless otherwise stated)			
<b>A. INVESTMENTS IN GOVERNMENT SECURITIES</b>				
		7 Year National Savings Certificates - II Issue	1.05	1.89
		Government of India stock of the face value of Rs. 671,56.50 lakhs	825,68.26	468,88.72
		(2001 - Rs. 404,74.00 lakhs) (Current Investments) (quoted)		
		Treasury Bills of the face value of Rs. 376,95.00 lakhs	371,42.55	13,80.02
		(2001 - Rs. 15,00.00 lakhs) (Current Investments)		
		Indira Vikas Patra	1.00	1.02
<b>TOTAL - A</b>			<b>1197,12.86</b>	<b>482,71.65</b>
<b>B. INVESTMENTS IN SUBSIDIARY COMPANIES AT COST SHARES AND DEBENTURES</b>				
Indexport Limited	25,10,000	Equity shares of Rs.10 each fully paid	2,51.00	2,51.00
Lever Associated Trust Limited	50,000	(2001 - 100) Ordinary shares of Rs. 10 each fully paid (49,900 shares purchased during the year)	5.00	0.01
Levindra Trust Limited	50,000	(2001 - 100) Ordinary shares of Rs. 10 each fully paid (49,900 shares purchased during the year)	5.00	0.01
Hindlever Trust Limited	50,000	(2001 - 100) Ordinary shares of Rs. 10 each fully paid (49,900 shares purchased during the year)	5.00	0.01
Nepal Lever Limited	7,36,560	Equity shares of Nepalese Rs. 100 each fully paid	4,60.00	4,60.00
Lever India Exports Limited	30,000	Equity shares of Rs. 100 each fully paid	70.35	70.35
International Fisheries Limited	2,96,240	Equity shares of Rs. 100 each fully paid	2,94.73	2,94.73
Lipton India Exports Limited	4,80,000	Equity shares of Rs. 100 each fully paid	24.00	24.00
Bon Limited	50,000	(2001 - 10,003) Equity shares of Rs. 10 each fully paid (39,997 shares purchased during the year)	5.00	1.00
Daverashola Tea Company Limited	12,000	Ordinary shares of Rs. 100 each fully paid	12.00	12.00
Thiashola Tea Company Limited	50,000	(2001 - 35,000) Ordinary shares of Rs. 10 each fully paid (15,000 shares purchased during the year)	5.00	3.50
The Doolia Tea Company Limited	5,000	(2001 - 1,500) Ordinary shares of Rs. 100 each fully paid (3,500 shares purchased during the year)	4.41	0.91
Merryweather Food Products Limited	4,96,000	Equity shares of Rs. 100 each fully paid	5,08.00	5,08.00
	3,50,000	5% Cumulative Redeemable preference shares of Rs. 100 each fully paid	3,50.00	3,50.00
Pond's Exports Limited	2,00,003	Equity shares of Rs. 10 each fully paid	20.00	20.00
KICM (Madras) Limited	5,840	Equity shares of Rs.100 each fully paid	11,70.58	11,70.58
	1,000	7.5% 3 Year Secured Non-Convertible Debentures of Rs.1,00,000 each fully paid (Purchased during the year)	10,00.00	—
Paras Extra Growth Seeds Limited*	—	(2001 - 1,19,900) Equity shares of Rs. 10 each fully paid	—	1,22.28
Modern Food Industries (India) Limited	1,47,549	(2001 - 1,09,187) Equity shares of Rs. 1,000 each (38,362 shares purchased during the year. 5 Shares pending to be transferred in the name of the Company)	157,41.35	113,33.72
	2,500	Secured Non-Convertible Redeemable Seven Years Debentures	25,00.00	—
		Coupon Rate 3.50% p.a. for first 36 months and 14.50% p.a. for next 48 months (Purchased during the year)		
<b>TOTAL - B</b>			<b>224,31.42</b>	<b>146,22.10</b>

\*Reclassified to Non-Trade Investments subsequent to reduction in stake in the Company during the year.



## Schedules to Balance Sheet

			2002 Rs. lakhs	2001 Rs. lakhs
<b>6. INVESTMENTS (Contd.)</b> (Long term, Unquoted, unless otherwise stated)				
<b>C. TRADE INVESTMENTS AT COST</b>				
		<b>SHARES</b>		
Hind Lever Chemicals Limited	68,92,800	Equity shares of Rs. 10 each fully paid (quoted)	<b>52,41.85</b>	52,41.85
Dugdha Sahakari Kraya-Vikraya Samiti Limited	50	Shares of Rs. 100 each fully paid	<b>0.05</b>	0.05
Hi Tech Surfactants Limited	58,400	Equity shares of Rs.10 each fully paid	<b>5.87</b>	5.87
Aquagel Chemicals Private Limited	2,84,040	(2001 - 37,040) Equity shares of Rs. 100 each fully paid (2,47,000 shares purchased during the year)	<b>2,65.56</b>	18.56
	9,13,000	7% Cumulative Redeemable Preference Shares of Rs. 100 each fully paid (Purchased during the year)	<b>9,13.00</b>	—
Super Bazar Co-op. Stores Limited	1,000	Equity shares of Rs. 10 each fully paid	<b>0.10</b>	0.10
Vashisti Detergents Limited	1,69,04,140	Equity shares of Rs. 10 each fully paid (quoted)	<b>29,40.00</b>	29,40.00
Kimberly Clark Lever Limited	3,62,50,000	Equity shares of Rs. 10 each fully paid	<b>36,25.00</b>	36,25.00
Snowman Frozen Foods Limited	38,32,000	Equity shares of Rs. 10 each fully paid	<b>5,01.71</b>	5,01.71
Coffee Futures	1	Equity share of Rs. 10,000 each fully paid	<b>0.10</b>	0.10
India Exchange Limited				
Lever Gist Brocades Private Limited	1,50,00,000	Equity shares of Rs. 10 each fully paid	<b>15,00.00</b>	15,00.00
Quest International India Limited	14,11,200	Equity shares of Rs. 100 each fully paid	<b>68,02.41</b>	68,02.41
Goldfield Fragrances Limited	24,000	Equity shares of Rs. 10 each fully paid	<b>2.40</b>	2.40
		<b>TOTAL - C</b>	<b>217,98.05</b>	206,38.05
<b>D. NON-TRADE INVESTMENTS AT COST</b>				
		<b>SHARES, DEBENTURES &amp; BONDS</b>		
ICICI Bank Limited (formerly ICICI Limited)	1,47,981	(2001 - 2,95,963) Equity shares of Rs. 10 each fully paid (quoted) (Shares issued in the ratio of 1:2 consequent to merger of ICICI Limited with ICICI Bank)	<b>1,65.20</b>	1,65.20
	—	(2001 - 20,000) 9.50% Unsecured Non Marketable Regular Income Bonds in the nature of Debentures of face value of Rs. 1,00,000 each (Matured during the year) (Current Investments)	<b>—</b>	200,00.00
	—	(2001 - 1) 8.50% Non-transferable deposit receipt of Face value of Rs. 60,00 lakhs (Matured during the year) (Current Investments)	<b>—</b>	60,00.00
	1	9.84% Non-transferable deposit receipt of Face value of Rs. 50,00 lakhs (Purchased during the year) (Current Investments)	<b>50,00.00</b>	—
Paras Extra Growth Seeds Limited*	73,12,400	(2001 - 1,19,900) Equity shares of Rs. 10 each fully paid (71,92,500 shares purchased during the year)	<b>8,41.53</b>	—
Mahanagar Telephone Nigam Limited	—	(2001 - 500) 11.75% 14th A Series Taxable Government guaranteed Bonds of Rs. 1,00,000 each (Redeemed during the year) (Current Investments)	<b>—</b>	5,00.37
Indian Telephone Industries Limited	—	(2001 - 750) 13.25% E Series Taxable Government guaranteed Bonds of Rs. 1,00,000 each (Redeemed during the year) (Current Investments)	<b>—</b>	7,50.07

## Schedules to Balance Sheet

			2002 Rs. lakhs	2001 Rs. lakhs
<b>6. INVESTMENTS (Contd.)</b>				
(Long-term, Unquoted, unless otherwise stated)				
Indian Railway Finance Corporation	—	(2001 - 70,000) 9.00% Sixth E Series Tax Free Bonds of Rs. 1,000 each (Redeemed during the year) (Current Investments)	—	7,00.05
	—	(2001 - 20,000) 9.00% Sixth E Series Tax Free Bonds of Rs. 1,000 each (Redeemed during the year) (Current Investments)	—	2,00.02
	—	(2001 - 50,000) 9.00% Sixth C Series Tax Free Bonds of Rs. 1,000 each (Redeemed during the year) (Current Investments)	—	5,00.05
	—	(2001 - 100,000) 10.50% Ninth M Series Tax Free Bonds of Rs. 1,000 each (Redeemed during the year) (Current Investments)	—	10,00.10
	30,000	10.50% Eleventh Series Tax Free Non-Cumulative Bonds of Rs. 1,000 each (Purchased during the year) (Current Investments)	3,00.00	—
	30,000	10.50% Twelfth A Series Tax Free Non-Cumulative Bonds of Rs. 1,000 each (Purchased during the year) (Current Investments)	3,00.00	—
	3,00,000	10.50% Twelfth A Series Tax Free Secured Redeemable Non Convertible Bonds of Rs. 1,000 each (Current Investments)	30,00.00	30,00.00
Nuclear Power Corporation of India Limited	—	10.25% XI - A Series Tax Free Bonds of Rs. 1,00,000 each (1,600 bonds purchased and sold during the year) (Current Investments)	—	—
SBI Home Finance Limited	1,44,200	Equity shares of Rs.10 each fully paid (quoted)	14.42	14.42
Maharashtra Krishna Valley Development Corporation	25	(2001 - 50) 17.50% Secured Bonds of the face value of Rs. 1,00,000 each (25 bonds redeemed during the year) (Listed but not quoted)	25.00	50.00
Comfund Financial Services India Limited	2,40,000	Equity shares of Rs. 10 each fully paid	24.00	24.00
Assam Bengal Cereals Limited	8,284	Equity shares of Rs. 10 each fully paid	0.83	0.83
The Bengal Chamber of Commerce & Industry	14	6 1/2% Non-redeemable Registered Debentures (Face value Rs. 0.14 lakh)	0.17	0.17
Woodlands Hospital and Medical Research Centre Limited	1	5% Non-redeemable Registered Debenture stock (Face value Rs. 0.27 lakh)	0.27	0.27
	44	1/2 % Debentures of Rs. 100 each (Face value Rs. 0.05 lakh : Cost Rs. 100)	—	—
Shillong Club Limited	56	5 % Debentures of Rs. 100 each (Cost Rs. Nil)	—	—
The Nilgiri Co-operative Enterprises Limited	200	Shares of Rs. 100 each fully paid	0.20	0.20
Biotech Consortium India Limited	1,00,000	Equity shares of Rs. 10 each fully paid	10.00	10.00
Scooters India Limited	10,000	Equity shares of Rs. 10 each fully paid (Listed but not quoted)	1.00	1.00
Annamallais Ropeway Company Limited	1,150	Ordinary shares of Rs. 100 each fully paid (Cost Rs. Nil)	—	—
Saraswat Co-operative Bank Limited	1,000	Equity shares of Rs. 10 each fully paid	0.10	0.10
National Bank for Agriculture and Rural Development	1,06,705	8.50% Capital Gains Bonds of Rs. 10,000 each	106,70.50	106,70.50
	34,690	8% Capital Gains Bonds of Rs. 10,000 each (Purchased during the year)	34,69.00	—
National Highways Authority of India	1,31,250	8% Capital Gains Bonds of Rs. 10,000 each (Purchased during the year)	131,25.00	—

\*Reclassified from Investment in Subsidiary Companies subsequent to reduction in stake in the Company during the year.



## Schedules to Balance Sheet

			2002 Rs. lakhs	2001 Rs. lakhs
6.	INVESTMENTS (Contd.) (Long term, Unquoted, unless otherwise stated)			
OTHERS				
Unit Trust of India	370	(2001 - 1,120 ) Fully paid units of Venture Capital Unit Scheme, 1990 (VECAUS - II) of Rs. 100 each (750 Units redeemed during the year)	0.37	1.12
	—	(2001 - 5,00,00,000) Units of Rs. 10 each under the Institutional Investor's Special Fund Units Scheme (IISFUS), 1997 (Matured during the year)	—	50,00.00
	—	(2001 - 4,02,77,895) Units of Rs. 10 each under the Monthly Income Plan, 1997 (60,13,490 units cumulated during the year, 4,62,91,385 units matured during the year)	—	40,27.79
	40,590	Units of Rs. 10 each under the Unit Scheme - 64 (Current Investments)	2.44	2.44
Prudential ICICI Mutual Fund	87,84,096	Units of Prudential ICICI Gilt Fund - Treasury Plan - Growth (2001 - 2,43,99,873) Units of Prudential ICICI Gilt Fund - Treasury Plan - Dividend	9,50.00	9,50.00
	—	(Sold during the year) (Current Investments)	—	25,00.00
	1,85,47,054	Units of Prudential ICICI Gilt Fund - Treasury Plan - Growth (Purchased during the year) (Current Investments)	25,05.36	—
	—	(2001 - 2,94,01,479) Units of Prudential ICICI Income Plan - Dividend (Sold during the year) (Current Investments)	—	30,00.00
	2,35,63,385	Units of Prudential ICICI Income Plan - Growth (Purchased during the year) (Current Investments)	39,30.16	—
	—	(2001 - 3,45,33,313 ) Units of Prudential ICICI Liquid Plan - Dividend (9,72,40,912 units purchased, 21,60,821 units cumulated and 13,39,35,046 units sold during the year) (Current Investments)	—	40,83.11
	1,20,00,000	Units of Prudential ICICI Fixed Maturity Plan - Growth Yearly - Series VI (Purchased during the year) (Current Investments)	12,00.00	—
	2,55,96,241	Units of Prudential ICICI Short Term Plan - Dividend Reinvestment Option (4,74,18,200 units purchased, 1,34,453 units cumulated and 2,19,56,412 units sold during the year) (Current Investments)	26,65.94	—
DSP Merrill Lynch Mutual Fund	95,01,549	Units of DSP Merrill Lynch Govt. Securities Fund - Plan B - Growth	10,00.00	10,00.00
	1,50,00,000	Units of DSP Merrill Lynch Short Term Fund - Growth (Purchased during the year) (Current Investments)	15,00.00	—
	4,576	Units of DSP Merrill Lynch Liquidity Fund - Dividend (1,20,90,339 units purchased, 95 units cumulated and 1,20,85,858 units sold during the year) (Current Investments)	0.57	—
Standard Chartered Mutual Fund	—	(2001 - 2,42,95,432) Units of Grindlays Super Saver Income Fund - Quarterly Dividend Option (Sold during the year) (Current Investments)	—	25,00.00
	2,08,04,380	Units of Grindlays Super Saver Income Fund - Investment Plan - Growth Option (Purchased during the year) (Current Investments)	27,53.17	—
	4,05,15,284	Units of Grindlays Super Saver Income Fund - Short Term Plan - Dividend Option (3,98,23,887 units purchased and 6,91,397 units cumulated during the year) (Current Investments)	40,69.90	—
	—	(2001 - 1,53,18,307) Units of Grindlays Cash Fund - Dividend (7,06,55,784 units purchased, 5,65,488 units cumulated and 8,65,39,579 units sold during the year) (Current Investments)	—	15,31.83

## Schedules to Balance Sheet

			2002 Rs. lakhs	2001 Rs. lakhs
6.	INVESTMENTS (Contd.) (Long term, Unquoted, unless otherwise stated)			
Zurich India Mutual Fund	—	(2001 - 2,85,71,429) Units of Zurich India High Interest Fund - Regular Dividend (Sold during the year) (Current Investments)	—	30,00.00
	1,33,96,617	Units of Zurich India High Interest Fund - Regular Growth (Purchased during the year) (Current Investments)	25,86.77	—
	—	(2001 - 1,85,72,849) Units of Zurich India Liquidity Fund - Investment - Dividend (1,38,55,533 units purchased, 163,868 units cumulated and 3,25,92,250 units sold during the year) (Current Investments)	—	20,04.32
	—	Units of Zurich India Liquidity Fund-Saving Plan - Weekly Dividend (6,96,44,959 units purchased, 9,98,896 units cumulated and 7,06,43,855 units sold during the year) (Current Investments)	—	—
	3,05,88,836	Units of Zurich India High Interest Fund - Short Term Plan - Dividend (3,92,56,762 units purchased, 10,17,398 units cumulated and 96,85,324 units sold during the year) (Current Investments)	31,14.89	—
Jardine Fleming Mutual Fund	—	(2001 - 93,72,071) Units of Jardine Fleming India Bond Fund - Income Plan - Dividend (Sold during the year) (Current Investments)	—	9,86.88
HDFC Mutual Fund	—	(2001 - 1,97,82,004) Units of HDFC Income Fund-Dividend (Sold during the year) (Current Investments)	—	20,00.00
	2,31,32,719	Units of HDFC Income Fund - Growth (Purchased during the year) (Current Investments)	30,85.42	—
	—	(2001 - 2,04,13,597) Units of HDFC Liquid Fund - Dividend Plan (2,49,72,983 units purchased, 9,22,846 units cumulated and 46,309,426 units sold during the year) (Current Investments)	—	20,45.18
	2,05,22,049	Units of HDFC Short Term Plan - Dividend (3,91,83,865 units purchased, 10,55,050 units cumulated and 1,97,16,866 units sold during the year) (Current Investments)	20,59.55	—
Alliance Capital Mutual Fund	1,22,00,054	Units of Alliance Income Fund - Regular Growth (Purchased during the year) (Current Investments)	24,43.78	—
	—	(2001 - 1,00,152) Units of Alliance Cash Manager - Dividend (3,75,680 units purchased, 5,236 units cumulated and 4,81,068 units sold during the year) (Current Investments)	—	10,02.52
	—	Units of Alliance Short Term Fund - Growth (2,35,001 units purchased during the year, subdivided into 2,35,00,151 units and subsequently sold during the year) (Current Investments)	—	—
Franklin Templeton Fund	—	(2001 - 4,13,79,546) Units of Templeton India Liquid Fund - Weekly Dividend Plan (9,39,50,402 units purchased, 19,20,265 units cumulated and 13,72,50,213 units sold during the year) (Current investments)	—	41,38.78
	3,72,211	Units of Templeton India Short Term Income Plan - Growth (Purchased during the year) (Current Investments)	40,00.00	—
	99,47,578	Units of Templeton India Income Builder Account - Institutional Plan - Growth (Purchased during the year) (Current Investments)	10,17.38	—
TOTAL - D			758,32.92	833,61.32
TOTAL - ( A+B+C+D)			2397,75.25	1668,93.12
Provision for diminution in value of long term investments			(33,01.15)	(33,00.00)
TOTAL			2364,74.10	1635,93.12
Aggregate book value of investments	Unquoted		1455,18.37	1082,91.92
	Listed but not quoted		26.00	51.00
	Quoted - Market Value Rs. 963,10.34 lakhs (2001 - Rs. 593,84.74 lakhs)		909,29.73	552,50.20
TOTAL			2364,74.10	1635,93.12



## Schedules to Balance Sheet

	2002 Rs. lakhs	2001 Rs. lakhs
<b>7. INVENTORIES (at lower of cost and net realisable value)</b>		
Stores and spare parts, etc.	32,39.26	28,80.87
Raw materials	556,29.08	510,14.06
Packing materials	64,58.53	58,16.50
Work-in-progress	45,93.68	47,71.85
Processed chemicals	5,84.76	10,87.20
Finished goods	560,03.09	577,11.56
Property Development Activity - Work-in-progress (Refer 16 of Notes to Profit and Loss Account)	13,65.22	7,21.58
	<b>1278,73.62</b>	<b>1240,03.62</b>
<b>8. SUNDRY DEBTORS (unsecured)</b>		
Considered good		
Over 6 months old	7,68.12	7,81.74
Others	<b>360,16.92</b>	416,96.73
	<b>367,85.04</b>	<b>424,78.47</b>
Considered doubtful		
Over 6 months old	27,99.35	36,63.75
Others	<b>8,76.08</b>	1,49.31
	<b>36,75.43</b>	<b>38,13.06</b>
	<b>404,60.47</b>	<b>462,91.53</b>
Less : Provision for doubtful debts	<b>(36,75.43)</b>	<b>(38,13.06)</b>
	<b>367,85.04</b>	<b>424,78.47</b>
<b>9. CASH AND BANK BALANCES</b>		
Cash on hand	1,32.08	1,41.39
With Scheduled banks - on current accounts	251,69.96	222,21.47
- on deposit accounts	689,52.37	689,44.64
Non-Scheduled banks - on current account	8.19	8.19
Nepal Grindlays Bank Limited (Maximum amount outstanding during the year Rs. 8.19 lakhs; 2001 - Rs. 8.19 lakhs)		
	<b>942,62.60</b>	<b>913,15.69</b>
<b>10. OTHER CURRENT ASSETS</b>		
Income accrued on investments	39,47.43	39,75.23
Dividends receivable from subsidiary companies	1,84.00	6,00.00
Fixed assets held for sale (at net book value or estimated net realisable value, whichever is lower)	4,98.79	4,86.33
	<b>46,30.22</b>	<b>50,61.56</b>

## Schedules to Balance Sheet

	2002 Rs. lakhs	2001 Rs. lakhs
<b>11. LOANS AND ADVANCES</b>		
(Unsecured, considered good unless otherwise stated)		
Advances and loans to subsidiaries		
Considered good (including Rs. 30,00.00 lakhs (2001 - Rs. 30,00.00 lakhs) secured by equitable mortgage on immovable properties)	123,30.36	74,84.54
Considered doubtful	3,00.00	3,00.00
	<u>126,30.36</u>	<u>77,84.54</u>
Less : Provision for doubtful advances	<u>(3,00.00)</u>	<u>(3,00.00)</u>
	<b>123,30.36</b>	<b>74,84.54</b>
Advances recoverable in cash or in kind or for value to be received [including :-	579,32.99	677,60.70
(i) Rs. 145,98.00 lakhs (2001 - Rs. 182,10.17 lakhs) not due before 31st December, 2003;		
(ii) Rs. 30.17 lakhs (2001 - Rs. 30.86 lakhs) due from officers of the Company - maximum amount due during the year Rs. 30.86 lakhs (2001 - Rs. 31.12 lakhs) ;		
(iii) Rs. 4,33.30 lakhs (2001 - Rs. 4,55.00 lakhs) due from the directors of the Company - maximum amount due during the year Rs. 4,67.73 lakhs (2001 - Rs. 4,59.88 lakhs) and		
(iv) Rs. 108,00.00 lakhs (2001 - Rs. 140,00.00 lakhs) on account of inter corporate deposits].		
Considered doubtful	49,48.49	56,76.16
	<u>628,81.48</u>	<u>734,36.86</u>
Less : Provision for doubtful advances	<u>(49,48.49)</u>	<u>(56,76.16)</u>
	<b>579,32.99</b>	<b>677,60.70</b>
Receivable from PEGSL (Refer note 2 to Cash Flow Statement)	16,80.00	—
Deposits with Customs, Port Trust, Excise, etc.	75,55.29	45,73.46
Current taxation (payments in excess of provision)	56.76	—
	<u><b>795,55.40</b></u>	<u><b>798,18.70</b></u>
<b>12. LIABILITIES</b>		
Acceptances	324,53.35	203,42.65
Sundry creditors (see Schedule 19)		
Small Scale Industrial Undertakings	42,07.56	55,85.30
Others	<u>2029,92.11</u>	<u>2087,90.17</u>
	<b>2071,99.67</b>	<b>2143,75.47</b>
Advances and progress payments - Property Development Activity	11,39.60	7,08.96
Security advances	26,27.96	29,82.34
Dividends declared pending payment / encashment	28,57.26	23,52.57
Interim dividend payable to shareholders of erstwhile International Bestfoods Limited	—	16.22
Interest accrued but not due on loans	2,56.25	2,63.65
	<u><b>2465,34.09 *</b></u>	<u><b>2410,41.86</b></u>

\* There is no amount due and outstanding to be credited to Investor Education and Protection Fund



## Schedules to Balance Sheet

	2002 Rs. lakhs	2001 Rs. lakhs
<b>13. PROVISIONS</b>		
Current taxation (provisions in excess of payments) including tax on distributed profits	—	51,88.81
Provision for retirement / post retirement benefits and other employee benefits	515,75.43	351,71.17
Proposed dividend	660,37.31	550,31.09
Other provisions	29,42.60	137,49.35
	<u>1205,55.34</u>	<u>1091,40.42</u>
<b>14. DEFERRED TAX ASSETS</b>		
On employee separation and retirement	211,13.99	146,79.97
On other timing differences	122,73.38	117,09.24
On fiscal allowances on investments	7,52.90	12,17.37
Other items	45,90.36	73,54.68
	<u>387,30.63</u>	<u>349,61.26</u>
<b>15. DEFERRED TAX LIABILITIES</b>		
On fiscal allowances on fixed assets	117,38.49	103,13.12
	<u>117,38.49</u>	<u>103,13.12</u>
<b>16.</b> Certain demands for increased wages, etc. received from workmen have been referred to adjudication. In the opinion of the Company's management, the ultimate liability to the Company, if any, with respect to such demands would not have a material effect on the accounts.		
<b>17.</b> Pursuant to the order passed by the Hon'ble High Court of Bombay dated 16th June, 1997, the erstwhile Pond's (India) Limited had, on 21st July, 1997, allotted 9,31,000 shares on preferential basis to M/s. Unilever Overseas Holdings BV at a price of Rs. 620/- per share and an amount of Rs. 610/- per share was credited to Share premium account in respect of these shares. These shares and the share premium thereon are subject to the conditions imposed by the Hon'ble High Court of Karnataka in its interim order dated 6th April, 1994 [Writ Petition No. 3863 of 1994] and are subject to the final orders that may be passed by the court on the writ petition. Likewise 9,31,000 bonus shares relating to the preferential allotment made to M/s. Unilever Overseas Holdings BV, are subject to the same terms and conditions applicable to the preferential allotment. In respect of the above, 1,39,65,000 shares of Re. 1 each fully paid up of the Company have been issued.		
<b>18. CONTINGENT LIABILITIES</b>		
(i) Claims made against Company not acknowledged as debts and other matters - gross Rs. 493,05.42 lakhs (2001 - Rs. 399,89.95 lakhs) net of tax	376,12.79	311,13.49
(ii) Bills discounted but not matured	73,33.47	74,64.88
(iii) Guarantees given to banks, etc. in respect of third parties	33,73.98	39,21.80
<b>19.</b> The names of small scale industries to whom the Company owes dues outstanding for more than 30 days at the Balance Sheet date, computed on unit-wise basis, are : Potdar Chemicals Private Limited, Supack Private Limited and Vibgyour Printing and Packaging Private Limited. The above information and that given in Schedule 12 - "Liabilities" regarding small scale industrial undertakings has been determined to the extent such parties have been identified on the basis of information available with the Company. This has been relied upon by the auditors.		
<b>20.</b> Previous year's figures have been regrouped wherever necessary to conform to this year's classification.		

## Statements forming part of the Profit and Loss Account

	Licensed Capacity		Installed Capacity	
	2002 Tonnes	2001 Tonnes	2002 Tonnes	2001 Tonnes
<b>1. Licensed/Installed annual capacities : on single shift basis (unless otherwise stated)</b>				
<b>Scheduled :</b>				
Processed triglycerides/ hydrogenated oils/vanaspati	77,669	1,52,312	54,833	67,833
Soaps	3,48,538	3,43,538	2,19,416	2,13,594
Synthetic detergents	3,86,580	3,86,580	2,84,613	2,89,613
Personal products (h)	2,17,564	1,92,564	87,920	73,959
Glycerine	11,524	11,524	6,655	5,989
Fine chemicals (d)	2,417	3,484	1,508	3,041
Organic Speciality Chemicals	367	2,033	367	2,033
Ossein	1,000	1,000	—	—
Di-calcium phosphate	2,000	2,000	—	—
Dicamba herbicide	333	333	—	—
Fabric softener	2,833	2,833	4,281	4,281
Fatty acids	93,000	93,000	48,333	44,166
Plant growth nutrient	667	667	—	—
Plant growth nutrient (Kilo litres)	200	200	—	200
Fluid cracking catalyst (e)	5,000	5,000	—	—
Oil milling - Oils	19,438	19,438	—	—
- Oil seeds	32,668	32,668	22,508	22,508
- Oil cakes etc.	14,833	14,833	—	—
Industrial machinery (units) (e)	24	24	—	—
Perfumery and cosmetic products (units) (e)	30,00,000	30,00,000	37,50,000	37,50,000
Perfumery and cosmetic products	362	362	500	500
Carpets, druggets and other floor coverings (pieces) (e)	—	2,00,000	—	2,50,000
Packet Tea below 1kg. and tea bags (e)	5,000	5,000	—	—
Instant Tea	650	650	650	650
Footwear, shoe uppers and other components (pairs) (e)	—	45,00,000	—	19,00,000
Functionalised biopolymer (e)	7,875	7,875	6,250	7,550
Zeolites (e)	5,000	5,000	—	—
Frozen Surimi, Fresh and Frozen fish, Mollusees etc.	13,000	13,000	13,000	13,000
Edible Groundnut Flour, Protein Foods, etc.	7,667	7,667	3,796	3,796
Synthetic Beverages, Processed Foods, etc.	39,851	44,901	39,216	42,266
Powdered Beverages	—	2,500	—	2,500
Canned and Processed Fruits and Vegetable (h)	20,900	20,900	34,080	47,054
Packaging machinery (units)	5	5	40	45
Printing machinery (units)	8	8	—	—
Gravure cylinders and components (units)	875	875	—	—
Ice-cream/Frozen desserts (Mln. Kgs.) (j)	22	22	8	8
Instant Foods	500	500	—	—
Thermometer (Pieces)	—	2,00,00,000	—	2,00,00,000
Mushroom (Drained Weight)	—	4,267	—	2,700
Perfumery Compounds	3,106	3,106	—	2,174
Flavouring Essences	1,608	1,608	—	1,346
<b>Non-scheduled :</b>				
Packed Tea	N.A.	N.A.	2,96,803	3,15,500
Garden Tea	N.A.	N.A.	Not Ascertainable	Not Ascertainable
Packed Coffee	N.A.	N.A.	9,300	16,800
Margarine	N.A.	N.A.	—	3,000
Scourers (f)	N.A.	N.A.	6,800	6,800
Refined Oils	N.A.	N.A.	1,070	1,070

(a) N.A. - Not Applicable

(b) Licensed capacities include registered capacities for activities existing prior to the Industries (Development and Regulation) Act, 1951, and the Industrial Entrepreneurs Memorandum (IEM) filed with the Government and duly acknowledged by them under the Scheme of delicensing notified by the Government but excludes non-scheduled activities where IEMs have been filed in lieu of DGTD registrations.



## Statements forming part of the Profit and Loss Account

### 1. Licensed/Installed annual capacities on single shift basis : (Contd.)

- (c) The installed capacities are as per certificate given by a Director on which the auditors have relied.
- (d) Fine Chemicals of different types, covered by separate industrial licenses/IEMs but having separate sub-limits, have been grouped together.
- (e) The capacity mentioned is annual capacity based on maximum utilisation of plant and machinery.
- (f) Scourers, being a non-scheduled activity, no industrial licence is required. However, under the Government Scheme of Single point clearance for Kandla Free Trade Zone, a licence for 1,667 tonnes per annum has been granted.
- (g) Licensed and installed capacities for the year indicated above include those vested in the Company consequent to amalgamation of the erstwhile The Tata Oil Mills Company Limited (TOMCO). Necessary applications have been submitted to obtain endorsement of the name of the Company on these licenses. The said capacities are expressed on a single shift basis (as converted) based on 365 days working in a year.

Similarly, licensed and installed capacities for the year indicated above include those vested in the Company, consequent to the amalgamation of the erstwhile Brooke Bond Lipton India Limited (BBLIL). Necessary applications have been submitted to obtain endorsement of the name of the Company on these licenses.

Similarly, licensed and installed capacities for the year indicated above include those vested in the Company, consequent to the amalgamation of the erstwhile Pond's (India) Limited (PIL). Necessary applications have been submitted to obtain endorsement of the name of the Company on these licenses.

Similarly, licensed and installed capacities for the year indicated above include those vested in the Company, consequent to the acquisition on 1st January, 1996, of the Detergents business from Hind Lever Chemicals Limited. Necessary applications have been submitted to obtain endorsement of the name of the Company on these licenses.

Similarly, licensed and installed capacities for the year indicated above include those vested in the Company, consequent to the amalgamation of the erstwhile Industrial Perfumes Limited (IPL). Necessary applications have been submitted to obtain endorsement of the name of the Company on these licenses.

Similarly, installed capacities for the year indicated above include those vested in the Company, consequent to the transfer of tea export business of Lipton India Exports Limited to the Company.

Similarly, licensed and installed capacities for the year indicated above include those vested in the Company, consequent to the amalgamation of the erstwhile International Best Foods Limited (IBFL). Necessary applications have been submitted to obtain endorsement of the name of the Company on these licenses.

- (h) Since our undertakings at Mumbai and Kolkata for manufacture of toilet preparations were in existence prior to the enactment of the Industries (Development and Regulation) Act, 1951, the Company was only required to obtain a Registration Certificate and later under an amendment of the Act in 1975, to apply for endorsement of capacity on the same. The capacities disclosed herein, as is done previously, are in accordance with the Company's submissions to the Government relating to its installed and productive capacities. The Government has during 1985, endorsed lower capacities aggregating 838 tonnes as against 3,005 tonnes claimed by the Company without a technical inspection of the Company's installed capacities and ignoring certain Letters of Approval/ Licences issued by the Government between 1951 and 1967. As provided under the law and the guidelines issued by the Government, the Company has represented to the Government and requested for a review of their decision based on technical inspection and earlier letters of approvals/licenses and that the endorsement be brought in line with the Company's claims. Government response is awaited.

In respect of Canned and Processed Fruits and Vegetables line of activity, vested in the Company consequent to the amalgamation of the erstwhile Brooke Bond Lipton India Limited (BBLIL), the Industrial Undertaking was established prior to the date when the Industries (Development and Regulation) Act, 1951 became applicable. Installed capacity stated above, is based on the advice to the erstwhile BBLIL, that its licensed capacity should be deemed to be the same as the installed capacity. A carry on business license for 20,900 tonnes was received during the year 1984 and the same is under the correspondence with the Government. In the case of Bhandup factory, taken over by the erstwhile BBLIL from Herbertsons Limited, and similarly vested in the Company, licensed capacity is not mentioned in the Certificate.

- (i) In respect of the factories of the erstwhile TOMCO where there is no indication of quantitative capacities in the Registration Certificates, the installed capacities have been deemed to be the licensed capacities. In respect of the following units of the erstwhile TOMCO, communications have been received from the Government of India endorsing quantitative capacities on Registration Certificates for soaps and Glycerine as follows :

	Licensed Capacity included in the above statement for the unit		Quantity endorsed in Registration Certificate (expressed on Single Shift basis as converted)	
	Soaps Tonnes	Glycerine Tonnes	Soaps Tonnes	Glycerine Tonnes
Tatapuram	15,667	380	10,727	289
Calicut	—	149	—	34
Sewri	15,667	380	8,000	281

The erstwhile TOMCO had disputed the endorsed capacities and had made a representation to the Government that installed capacities of the respective unit should be treated as licensed capacities.

- (j) Ice-creams and Frozen Desserts are alternate capacities.



## Statements forming part of the Profit and Loss Account

	2002 Tonnes	2001 Tonnes
<b>2. Production</b>		
Processed triglycerides / hydrogenated oils / vanaspati	31,052**	55,066**
Soaps	3,58,249**	3,16,803**
Synthetic detergents	7,74,435**	6,29,019**
Personal Products ('000 nos.)	220,25,65	129,30,44
Glycerine : Refined	7,794**	7,694
Fine chemicals	1,329**	1,504
Silica	—	119
Plant growth nutrient	—	230
Catalyst	—	804
Carpets, druggets and other floor coverings (pieces)	17,582	41,146
Packed Tea	80,674**	1,08,608**
Garden Tea	19,560	20,869
Instant Tea	602	84
Packed Coffee	11,579**	12,597**
Footwear, shoe uppers and other components (pairs)	3,50,596	21,83,220
Functionalised biopolymers	11,933	10,547
Processed Foods	15,867	14,170
Canned and Processed Fruits and Vegetables	12,082**	25,519**
Frozen Desserts (Million Ltrs.)	4	7**
Margarine	9,035	9,270

\*\* Includes :

(a) Third party processing :

Soaps - 79,883 tonnes (2001 - 36,505 tonnes), Synthetic detergents -3,60,109 tonnes (2001 - 2,48,748 tonnes), Glycerine - 547 tonnes (2001 - Nil), Fine Chemicals - 199 tonnes (2001 - Nil ), Packed Tea - 6,528 tonnes (2001 - 20,957 tonnes), Packed Coffee - 4,721 tonnes (2001 - 4,678 tonnes), Canned and Processed Fruits and Vegetables - 5,410 tonnes (2001 - 8,160 tonnes), Frozen Desserts - Nil (2001 - 1.6 million litres).

(b) Processing in leased units: Soaps - Nil (2001 - 2,835 tonnes), Processed triglycerides / hydrogenated oil /vanaspati - 9,755 tonnes (2001 - 35,474 tonnes).

	2002 Tonnes	Rs. lakhs	2001 Tonnes	Rs. lakhs
<b>3. Sales (including exports)</b>				
Soaps	3,79,786	2247,60.80	3,83,647	2040,01.37
	679*		266*	
Synthetic detergents	9,02,561	1929,75.01	8,91,901	1911,45.88
	761*		678*	
Personal Products ('000 nos.)	467,92,14	2087,45.88	481,17,64	2094,54.31
	462*			
Garden Tea	3,097	15,39.83	1,666	9,27.98
	15,325*		20,461*	
Tea	1,00,512	1344,96.07	1,23,370	1614,96.96
Coffee	30,423	307,39.37	26,772	296,91.05
Frozen Desserts & Ice Creams (Million Ltrs.)	10	105,90.14	24	143,11.03
Processed triglycerides / hydrogenated oils / vanaspati	1,16,877	496,00.88	1,46,830	577,51.15
			692*	
Canned and Processed Fruits and Vegetables	26,540	156,57.54	29,750	145,71.51
Branded Staple Foods (a)	3,13,964	233,09.48	3,74,409	243,14.14
			891*	
Speciality Chemicals (b)	18,908	90,57.71	17,228(d)	140,37.71
	5,999*		9,455*	
Others (c)		940,12.59		1450,52.60
		<u>9954,85.30</u>		<u>10667,55.69</u>

### Notes :

- Branded staple foods includes wheat flour, iodised salt and rice in consumer packs.
- Speciality Chemicals comprises Glycerine, Fine Chemicals, Mixtures of Odoriferous substances, Silica, Catalyst, Fluid cracking catalyst, Functionalised biopolymers, Zeolite, Prepared glues & adhesives, Perfumery compounds, Flavouring essences and Oleo chemicals.
- Others includes Scourers, Seeds, Marine products, Agri commodities, Leather, Footwear, Garments, Carpets, Mushroom and Thermometers, etc.
- Excludes stocks transferred on sale of Nickel Catalyst, Adhesives and Quest businesses : Speciality Chemicals 537.40 tonnes; Rs. 552.96 lakhs.

\* Figures denote quantities used for captive consumption / reprocessing / sales promotion.



## Statements forming part of the Profit and Loss Account

	2002		2001		2000	
	Tonnes	Rs. lakhs	Tonnes	Rs. lakhs	Tonnes	Rs. lakhs
<b>4. Closing stocks (including processed chemicals)</b>						
Processed triglycerides / hydrogenated oils / vanaspati	7,387	29,21.53	9,471	31,51.24	8,955	27,31.19
Soaps	27,060	143,71.00	28,564	121,73.44	33,379	140,02.05
Synthetic detergents	36,849	83,54.00	45,492	107,15.69	50,155	98,55.22
Personal Products ('000 nos.)	134,60,41	190,88.00	82,79,35	173,13.83	53,66,86	147,54.42
Glycerine : Refined	138	1,30.36	152	83.11	175	1,36.54
Fine Chemicals	109	4,04.34	214	7,19.66	228	9,18.35
Plant growth nutrient	—	—	37	28.00	54	50.06
Catalyst	—	—	23	40.93	95	2,28.03
Tea	5,363	36,67.97	6,669	45,64.98	6,814	48,67.25
Coffee	1,077	11,44.21	782	5,67.28	896	7,57.60
Carpets (pieces)	—	—	3,954	1,10.98	4,997	1,10.38
Footwear (pairs)	—	—	43,929	2,60.91	45,301	2,84.17
Functionalised biopolymers	291	56.44	594	1,58.77	597	1,56.16
Silica	—	—	—	—	336	57.51
Others		64,50.00		89,09.94		100,69.62
		<u>565,87.85</u>		<u>587,98.76</u>		<u>589,78.55</u>

**Notes :**

In addition :

- (i) Stocks on 1st July, 2001 of the International Bestfoods Limited and Aviance Limited, taken over consequent to the Scheme of Amalgamation : Personal Products ('000 nos.) - 522; Rs. 1,91.16 lakhs, Others Rs. 4,89.48 lakhs.
- (ii) Stocks on 1st April, 2000 of the Lipton India Exports Limited, taken over consequent to the acquisition of the exports business undertaking : Tea - 551 Tonnes; Rs. 6,39.00 lakhs.

	2002		2001	
	Tonnes	Rs. lakhs	Tonnes	Rs. lakhs
<b>5. Raw materials consumed @</b>				
Oils, fats and rosins	2,89,699	692,50.36	2,48,141	498,08.34
Chemicals and perfumes	9,37,730	1203,95.06	7,84,546	1104,58.00
Tea and Green Leaf *	1,95,191	612,32.39	2,28,950	812,74.66
Coffee	33,847	106,70.18	26,231	106,95.73
Others		623,22.47		679,70.80
		<u>3238,70.46</u>		<u>3202,07.53</u>

\* Includes Green Leaf plucked / purchased and consumed.

@ Relates to the Company's main products and principal raw materials.

**6. Value of imported and indigenous materials consumed**

	2002		2001	
	%	Rs. lakhs	%	Rs. lakhs
Raw materials - Imported	18	573,83.96	14	442,68.80
- Indigenous	82	2664,86.50	86	2759,38.73
Spare parts and components (including stores) - Imported	28	9,46.48	6	1,94.58
- Indigenous	72	24,21.24	94	30,29.00



## Statements forming part of the Profit and Loss Account

	2002		2001	
	Rs. lakhs		Rs. lakhs	
<b>7. Value of imports on CIF basis</b> (excluding purchases from canalising agencies and imported items purchased locally)				
Raw and packing materials		660,89.13		486,16.46
Spare parts and components		8,66.07		5,00.63
Capital goods		16,61.32		4,34.41
		<u>686,16.52</u>		<u>495,51.50</u>
	2002		2001	
	Tonnes	Rs. lakhs	Tonnes	Rs. lakhs
<b>8. Purchase of goods</b>				
Soaps	20,712	66,16.60	62,295	256,08.48
Synthetic detergents	1,20,244	144,72.90	2,58,897	390,41.34
Personal Products ('000 nos.)	299,52,17	502,05.84	380,94,47	683,09.17
Marine products	419	8,98.45	15,003	325,99.03
Ice Creams (Million Ltrs.)	6	53,08.74	17	83,25.72
Others (agri commodities, scourers, edible oils and fats, etc.)		683,27.70		760,90.81
<b>Total</b>		<u>1458,30.23</u>		<u>2499,74.55</u>
Less : Excise duty on purchases		<u>(163,58.38)</u>		<u>(303,59.00)</u>
		<u>1294,71.85</u>		<u>2196,15.55</u>
		2002		2001
		Rs. lakhs		Rs. lakhs
<b>9. Earnings in foreign exchange</b>				
Exports at FOB (including exports to Nepal and Bhutan)		1135,81.03		1656,62.31
Royalty		1,08.79		54.14
Others (income from services, freight, insurance, claims, proceeds from sale of fixed assets, etc.)		104,30.58		116,88.57
		<u>1241,20.40</u>		<u>1774,05.02</u>
<b>10. Expenditure in foreign currency</b> (on payment basis) (subject to deduction of tax where applicable)				
Consultancy		7,49.14		4,64.64
Royalty		53,63.12		51,40.44
Other matters :				
(a) Imports of goods for resale		63,73.64		41,32.09
(b) Others		62,39.73		80,00.75
		<u>187,25.63</u>		<u>177,37.92</u>
<b>11. Net dividend remitted in foreign currency</b>				
2000 Final to 7 shareholders on 1,13,48,49,460 shares of Re.1 each		—		226,96.99
2001 Interim to 7 shareholders on 1,13,48,49,460 shares of Re.1 each		—		283,71.24
2001 Final to 7 shareholders on 1,13,48,49,460 shares of Re.1 each		241,34.98		—
2002 Interim to 7 shareholders on 1,13,48,49,460 shares of Re. 1 each		241,34.98		—
		<u>482,69.96</u>		<u>510,68.23</u>
<b>12.</b> Previous year's figures have been regrouped wherever necessary to conform to this year's classification.				



## Statements forming part of the Profit and Loss Account

	2002 Rs. lakhs	2001 Rs. lakhs
<b>13. Directors' remuneration</b>		
Salaries	1,93.62	1,77.53
Performance Linked Bonus / Commission to Wholetime Directors	3,71.76	3,31.69
Commission to Non-Wholetime Directors	23.10	20.00
Contribution to provident fund	55.17	49.70
Other perquisites	82.10	36.46
	<u>7,25.75</u>	<u>6,15.38</u>

**Note :**

Provisions for / contribution to employee retirement / post retirement and other employee benefits which are based on actuarial valuations done on an overall company basis are excluded above.

**Computation of net profits in accordance with Section 198 of the Companies Act, 1956 and the commission payable to directors**

	2002 Rs. lakhs	2001 Rs. lakhs
Net Profit after taxation	1755,68.46	1641,31.35
Add :		
Depreciation (as per accounts)	134,10.06	144,65.97
Directors' remuneration	7,25.75	6,15.38
Directors' fees	2.10	1.35
Provision / (write back) for doubtful debts and advances (net)	(8,65.30)	65.96
Book deficit on fixed assets sold, scrapped, etc. (net)	4,08.67	8,38.22
Surplus on disposal of investments (net)	(28,20.61)	(44,49.44)
Provision / (write back) for diminution in value of Investments and excess of cost over fair value of current investments (net), included in miscellaneous expenses	(1,95.76)	(29,45.22)
Provision / (write back) for estimated losses on disposal of fixed assets, included in miscellaneous expenses	(17,18.00)	19,89.00
Taxation for the year (after considering in exceptional items)	435,50.00	325,07.76
	<u>524,96.91</u>	<u>430,88.98</u>
	2280,65.37	2072,20.33
Less :		
Depreciation under Section 350	116,59.29	139,89.93
Profit on sale / transfer of businesses, etc; included in exceptional items (net)	114,74.90	159,59.63
Deficit on disposal of fixed assets (net) under Section 349	6,79.55	29,77.63
	<u>238,13.74</u>	<u>329,27.19</u>
Net profit for Section 198 of the Companies Act, 1956	<u>2042,51.63</u>	<u>1742,93.14</u>
Commission to Non-Wholetime Directors at 1%	20,42.52	17,42.93
Commission to 5 Wholetime Directors for 12 months, each at 1% limited to 5% for all Wholetime Directors	102,12.58	87,14.66
Commission payable for the period	<u>3,94.86</u>	<u>3,51.69</u>

## Segment Information for the Year Ended 31st December, 2002

### Information About Primary Business Segments

	2002 Rs. lakhs			2001 Rs. lakhs		
REVENUE	External	Intersegment	Total	External	Intersegment	Total
Soaps and Detergents	4385,17.53		4385,17.53	4170,71.49		4170,71.49
Personal Products	2095,35.25		2095,35.25	2053,67.00		2053,67.00
Beverages	1232,03.26		1232,03.26	1418,81.72		1418,81.72
Foods	714,49.93		714,49.93	794,19.72		794,19.72
Ice Creams	107,25.03		107,25.03	148,57.20		148,57.20
Exports	1256,05.31		1256,05.31	1750,61.76		1750,61.76
Other Operations	248,08.32	95,21.71	343,30.03	385,12.61	267,54.69	652,67.30
Eliminations			(95,21.71)			(267,54.69)
<b>Total Revenue (see note 3 to Segment Information)</b>			<b>10038,44.63</b>			<b>10721,71.50</b>
RESULT						
Soaps and Detergents			1132,87.62			978,62.56
Personal Products			756,33.60			670,14.35
Beverage			243,59.02			173,58.71
Foods			(28,92.29)			6,92.02
Ice Creams			(14,38.85)			(26,51.98)
Exports			95,88.56			82,04.51
Other Operations			2,78.07			15,98.65
Eliminations			(6,55.00)			8,60.69
<b>Segment Result</b>			<b>2181,60.73</b>			<b>1909,39.51</b>
Un-allocated expenditure net of un-allocated income			(257,87.52)			(287,34.21)
<b>Operating Profit</b>			<b>1923,73.21</b>			<b>1622,05.30</b>
Interest expenses			(9,18.40)			(7,74.42)
Interest / dividend income and surplus on disposal of investments (net) (net of provision / write back for diminution in long term investments and mark down of current investment)			282,56.75			329,06.34
Taxation for the year			(479,85.00)			(402,42.00)
<b>Profit after taxation and before exceptional items</b>			<b>1717,26.56</b>			<b>1540,95.22</b>
Exceptional items - income and expenditure (Segment)						
Foods		—			(19,24.75)	
Ice Creams		—			(43,04.23)	
Exports		(6,84.47)			—	
Other Operations		121,59.37			126,00.14	
			114,74.90			63,71.16
Exceptional items – income and expenditure (Unallocated/ Corporate)			(120,68.00)			(40,69.27)
– Tax credit			44,35.00			77,34.24
<b>Net Profit</b>			<b>1755,68.46</b>			<b>1641,31.35</b>



## Segment Information for the Year Ended 31st December, 2002

### Information About Primary Business Segments

Other Information	Segment Assets		Segment Liabilities	
	Rs. lakhs		Rs. lakhs	
	2002	2001	2002	2001
Soaps and Detergents	<b>1329,47.91</b>	1167,48.61	<b>(1152,44.32)</b>	(1101,38.65)
Personal Products	<b>483,08.74</b>	395,53.28	<b>(391,58.14)</b>	(441,76.89)
Beverages	<b>341,98.33</b>	404,23.79	<b>(383,10.10)</b>	(429,16.02)
Foods	<b>160,66.75</b>	208,71.35	<b>(195,57.08)</b>	(162,73.74)
Ice Creams	<b>81,33.83</b>	120,76.33	<b>(84,05.26)</b>	(73,31.64)
Exports	<b>454,35.34</b>	487,52.86	<b>(189,31.02)</b>	(212,12.91)
Other Operations	<b>188,06.98</b>	242,80.04	<b>(82,84.14)</b>	(97,39.77)
<b>Total</b>	<b>3038,97.88</b>	3027,06.26	<b>(2478,90.06)</b>	(2517,89.62)
Unallocated Corporate Assets / Liabilities	<b>4466,47.38</b>	3705,32.18	<b>(1367,67.62)</b>	(1170,79.64)
<b>Total Assets / Liabilities</b>	<b>7505,45.26</b>	6732,38.44	<b>(3846,57.68)</b>	(3688,69.26)

	Capital Expenditure		Depreciation		Non – Cash Expenses other than Depreciation	
	Year 2002	Year 2001	Year 2002	Year 2001	Year 2002	Year 2001
Soaps and Detergents	<b>87,05.00</b>	183,00.86	<b>46,21.42</b>	37,93.86	<b>77.40</b>	9,71.42
Personal Products	<b>48,61.73</b>	26,87.68	<b>16,19.64</b>	34,09.50	<b>79.03</b>	6,31.99
Beverages	<b>3,33.86</b>	14,64.29	<b>7,13.24</b>	7,32.93	<b>(2,56.31)</b>	5,78.92
Foods	<b>2,88.69</b>	4,91.91	<b>12,59.31</b>	9,41.47	<b>85.79</b>	63.20
Ice Creams	<b>1,82.47</b>	50.26	<b>5,14.55</b>	10,09.00	<b>46.29</b>	4.26
Exports	<b>28,75.15</b>	14,53.47	<b>8,83.19</b>	9,58.25	<b>(1,12.01)</b>	59.74
Other Operations	<b>4,46.11</b>	8,19.57	<b>7,15.42</b>	7,90.26	<b>(4,83.92)</b>	(1,46.32)



## Segment Information for the Year Ended 31st December, 2002

### Information About Secondary Business Segments

	2002 Rs. lakhs	2001 Rs. lakhs
<b>Revenue by Geographical Market</b>		
India	8791,21.80	8947,46.71
Outside India	1247,22.83	1774,25.50
<b>Total</b>	<b>10038,44.63</b>	<b>10721,72.21</b>
<b>Additions to Fixed Assets and Intangible Assets</b>		
India	176,93.01	252,68.04
Outside India	—	—
<b>Total</b>	<b>176,93.01</b>	<b>252,68.04</b>
<b>Carrying Amount of Segment Assets</b>		
India	3021,97.35	3010,48.39
Outside India	17,00.53	16,57.87
<b>Total</b>	<b>3038,97.88</b>	<b>3027,06.26</b>

#### Notes :

#### 1. Business Segments

The Company has considered business segment as the primary segment for disclosure. The products included in each of the reported domestic business segments are as follows:

- **Soaps and Detergents** include soaps, detergent bars, detergent powders, detergent liquids, scourers, etc.
- **Personal Products** include products in the categories of Oral Care, Skin Care (excluding soaps), Hair Care, Deodorants, Talcum Powder, Colour Cosmetics, etc.
- **Beverages** include tea and coffee.
- **Foods** include Oils and Fats, Branded Staples (Atta, Salt, etc.), Culinary Products (tomato based products, fruit based products, soups, etc.)
- **Ice Creams** include Ice Creams and Frozen Desserts.
- **Others** include Plantations, Chemicals, Agri seeds, Property Development, etc.

Segment Revenue relating to each of the above domestic business segments includes Income from Services provided, where applicable. In addition, the Company's Exports business segment includes sales of Marine Products, Leather Products, Castor, Mushrooms, etc. as well as sales of Soaps and Detergents, Personal Products, Beverages and Foods etc. by the Exports Division.

The above business segments have been identified considering :

- a) the nature of products and services
- b) the differing risks and returns
- c) the organisation structure, and
- d) the internal financial reporting systems

Exports Segment Result includes a charge of Rs. 13,91 lakhs (net) relating to prior periods.

#### 2. Geographical Segments

The geographical segments considered for disclosure are as follows :

- Sales within India includes sales to customers located within India.
- Sales outside India includes sales to customers located outside India.

	2002 Rs. lakhs	2001 Rs. lakhs
<b>3. Revenue comprise</b>		
Sales	9954,85.30	10667,55.69
Income from services rendered (included in Other Income)	82,08.20	54,15.81
Income from property development activity (included in Other Income)	1,51.13	—
	<b>10038,44.63</b>	<b>10721,71.50</b>

4. Previous year's figures have been regrouped wherever necessary to conform to this year's classification.



## Related Party Disclosures

### A. Enterprises where control exists

- |                            |   |   |
|----------------------------|---|---|
| (i) <b>Holding Company</b> | : | Unilever PLC  |
| (ii) <b>Subsidiaries</b>   | : | Lipton India Exports Ltd.<br>Indexport Ltd.<br>Bon Ltd.<br>Nepal Lever Ltd.<br>Lever India Exports Ltd.<br>Merryweather Food Products Ltd.<br>International Fisheries Ltd.<br>KICM (Madras) Ltd.<br>Modern Food Industries (India) Ltd.<br>Paras Extra Growth Seeds Ltd. - Refer Note 15(i) of Notes to Profit and Loss Account<br>Daverashola Tea Company Ltd.<br>Pond's Exports Ltd.<br>Thiashola Tea Company Ltd.<br>The Doolia Tea Company Ltd.<br>Rossell Industries Ltd.<br>TOC Disinfectants Limited<br>Sum Electronics Private Limited (merged with Indexport Limited w.e.f 01.04.2002)<br>Levers Associated Trust Limited<br>Levindra Trust Limited<br>Hindlever Trust Limited |

### B. Other Related Parties with whom the Company had transactions, etc.

- |                                |   |   |
|--------------------------------|---|---|
| (i) <b>Fellow Subsidiaries</b> | : | Brooke Bond Assam Estates Ltd.<br>Brooke Bond Group Ltd.<br>Brooke Bond South India Estates Ltd.<br>Lever Faberge UK<br>Lipton Limited<br>HO Lipton Ltd. (Head Office) / Lipton Tea Supply Limited<br>Unilever U.K. Central Resources Ltd.<br>Unilever Overseas Holdings Ltd.<br>Van den Bergh Foods<br>Unilever Australia Export Pty. Ltd.<br>Unilever Australia Ltd.<br>Lever Rexona<br>Lever Brothers Bangladesh Ltd.<br>Unilever Canada<br>Unilever Cote d'Ivoire<br>Unilever Ghana Ltd.<br>Unilever Kenya Ltd.<br>Unilever (Malaysia) Holdings Sdn. Berhad<br>UL New Zealand Ltd.<br>Lever Rexona Division<br>Lever Brothers Pakistan Ltd.<br>Unilever Singapore Pte Ltd.<br>Lever Pond's<br>Unilever South Africa (Pty.) Ltd.<br>Unilever Ceylon Ltd.<br>Unilever Overseas Holdings AG<br>Lever Brothers West Indies Ltd.<br>Unilever Uganda Ltd.<br>Unilever Research Laboratory, Port Sunlight<br>Unilever Research Laboratory, Colworth House<br>BB Kenya Group<br>Unilever N.V.<br>Unilever Overseas Holdings B.V.<br>Unilever Brasil Ltd.<br>Lever Chile S.A.<br>Unilex Cameroon S.A.<br>Unilever France S.A.<br>Unilever International Paris<br>Unilever Deutschland GmbH<br>Lever Faberge Deutschland GmbH |
|--------------------------------|---|---|



- Unilever Hong Kong Ltd.  
 BBL Japan K.K.  
 Nippon Lever K.K.  
 Saifal B.V.  
 Unilever Phillippines (Prc), Inc..  
 Unilever Thai Holdings Ltd.  
 Unilever Sanayi ve Ticaret Turk A.S  
 Unilever Home & Personal Care USA  
 Lever Maroc S.A.  
 Fine Tea Co.  
 Lever Egypt SAE  
 Unilever (Shanghai) Co. Ltd.  
 Lipton Division  
 Lever Arabia Ltd.  
 Towells Lever LLC  
 Lever Brothers Nigeria Ltd.  
 Severn Gulf FZE  
 Lipton Soft Drinks (Ireland)  
 Lever Israel  
 Elida P/S  
 Thani Mursid Lever LLC  
 Unilever CR  
 Unilever Polska - Corporate  
 Lever International Marine Supplies (LIMS) BV  
 Unilever Gulf Free Zone Establishment  
 Unilever (China) Limited  
 Lever Fattal  
 Unilever South Central Europe  
 Unilever Baltic LLC  
 Unilever Levant  
 Unilever Tuketim Urunleri Sat Pazarlama Ticaret A.S.  
 Unilever SNG  
 Unilever Ukraine  
 Unilever Tuketim Mersin Serbest Bolge Subesi  
 Unilever Dominicana S.A.  
 Elida Faberge Ltd.  
 Towells Lever LLC, Arabia  
 Thani Murshid Sons & African and Eastern LLC, Arabia  
 Binzagar Lever Limited  
 Hind Lever Chemicals Limited  
 Unilever Industries Private Limited  
 Digital Securities Private Limited
- (ii) **Joint Ventures** : SC Johnson Products Pvt. Ltd.  
 Kimberly Clark Lever Ltd.  
 Quest International India Ltd.  
 Lever Gist Brocades Pvt. Ltd.
- (iii) **Key Management Personnel** : M.S. Banga  
 M.K. Sharma  
 A.S. Abhiraman  
 A. Adhikari  
 V. Balaraman - (upto 30th June, 2002)  
 S.K. Dhall  
 G. Kapur  
 A.K. Mathur  
 J.H. Mehta  
 S. Ravindranath  
 D. Sehgal  
 G. Singh  
 D. Sundaram  
 A. Weijburg
- (iv) **Employees' Benefit Plans where there is significant influence** : Hindustan Lever Gratuity Fund  
 The Union Provident Fund  
 The Hind Lever Provident Fund  
 The Hind Lever Pension Fund



## Disclosure of transactions between the Company and Related Parties and the status of outstanding balances as on 31st December, 2002

		Rs. lakhs
(i) Holding Company	: Dividend paid	397,40.34
	Royalty paid	52,52.74
	Outstanding payables at the year end	13,00.00
(ii) Subsidiaries	: Sale of finished goods / raw materials etc.	62,84.85
	Sale of fixed assets	3.34
	Sale of investments	219,98.02
	Interest received on sale of investments	5,94.14
	Royalty received	5,48.31
	Expenses shared by subsidiary companies	13,87.09
	Dividend received	22,37.82
	Interest received	11,57.65
	Processing charges received	2,43.83
	Processing charges paid	1,41.53
	Purchase of goods	73,77.86
	Purchase of investments	136,57.81
	Interest paid on purchase of investments	3,02.02
	Rent paid	1.65
	Consideration on sale of businesses	145,19.50
	Investment in equity shares	23.97
	Investment in debentures	35,00.00
	Deposits : - given during the year	9,16.29
	- Outstanding receivable at the year end	16,57.00
	Advances and loans :	
	- Outstanding receivable at the year end	126,30.36
	- Provision on receivables	3,00.00
	- Inter Corporate Deposits :	
	- Advanced during the year	43,30.00
	- Repayments during the year	43,80.00
(iii) Fellow Subsidiaries	: Sale of finished goods / raw materials etc.	460,79.76
	Sale of fixed assets	8,34.11
	Sale of investments	428,38.44
	Interest received on sale of investments	12,70.73
	Royalty received	77.14
	Dividend received	10,33.92
	Interest received	61.39
	Income from services rendered	80,19.22
	Expenses shared by a fellow subsidiary	6,96.09
	Processing charges paid	48,96.53
	Purchase of goods	83,94.68
	Purchase of fixed assets	5,01.00
	Purchase of investments	446,89.71
	Interest paid on purchase of investments	13,37.26
	Dividend paid	170,02.14
	Royalty paid	1,55.00
	Unsecured loans :	Nil
	- Repaid during the year	6,59.73
	Advances and loans :	
	- Receivables	106,23.69
	- Payables	10,29.48
(iv) Joint Ventures	: Purchase of goods	58,80.66
	Interest received	0.46
	Purchase of fixed asset	4.68
	Sale of fixed asset	17.95
	Advances and loans :	
	- Inter Corporate Deposits :	
	- Advanced during the year	15.00
	- Repayments during the year	52.00
	- Payables	25.74
(v) Key Management Personnel	: Remuneration	13,87.34
	Rent	14.84
	Dividend Paid	8.79
	Advances and progress payments :	
	- Property Development Activity	
	- Outstanding at the year end	89.85
	- Received during the year	10.21
	Loans :	
	- Outstanding at the year end	5,32.81
	- Given during the year	1,01.54
	- Repayments during the year	5,29.05
(vi) Employees' Benefit Plans where there is significant influence	: Contributions during the year	34,33.19
	Outstanding receivables at the year end	15,70.87



**Statement Pursuant to Part IV of the Companies Act, 1956**  
**Balance Sheet Abstract and Company's General Business Profile**

<b>I. REGISTRATION DETAILS</b>		<b>IV. PERFORMANCE OF COMPANY</b> <b>(AMOUNT IN RS. THOUSANDS)</b>	
Registration No.	11-2030	Turnover (Total Income)	103393952
State Code	11	Total Expenditure	81422796
Balance Sheet Date	31.12.2002	Profit/(Loss) Before Tax and Exceptional Items	21971156
<b>II. CAPITAL RAISED DURING THE YEAR</b> <b>(AMOUNT IN RS. THOUSANDS)</b>		Profit/(Loss) After Tax and Exceptional Items	17556846
Public Issue	Nil	Earnings Per Share (in Rs.)	7.98
Rights Issue	Nil	Dividend Rate (%)	550
Bonus Issue	Nil		
Private Placement	Nil		
<b>III. POSITION OF MOBILISATION AND DEPLOYMENT OF FUNDS</b> <b>(AMOUNT IN RS. THOUSANDS)</b>		<b>V. GENERIC NAMES OF THREE PRINCIPAL PRODUCTS/SERVICES OF THE COMPANY</b> <b>(AS PER MONETARY TERMS)</b>	
Total Liabilities	75054526	Item Code No. (ITC Code)	34.01
Total Assets	75054526	Product Description	Soap
<b>SOURCES OF FUNDS</b>		Item Code No. (ITC Code)	34.02
Paid-up Capital	2201244	Product Description	Detergents
Reserves and Surplus	34387514	Item Code No. (ITC Code)	09.02
Secured Loans	196150	Product Description	Tea
Unsecured Loans	386826		
<b>APPLICATION OF FUNDS</b>			
Net Fixed Assets	13223365		
Investments	23647410		
Net Current Assets	(2398255)		
Deferred Tax	2699214		
Misc. Expenditure	Nil		
Accumulated Losses	Nil		

## Report of the Auditors to the Shareholders

1. We have audited the attached balance sheet of Hindustan Lever Limited as at 31st December, 2002, the related profit and loss account for the year ended on that date annexed thereto, and the cash flow statement for the year ended on that date. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Manufacturing and Other Companies (Auditor's Report) Order, 1988 issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, we give in the Annexure, a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to in paragraph 3 above, we report that :
  - i) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
  - ii) in our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
  - iii) the balance sheet and the profit and loss account dealt with by this report are in agreement with the books of account;
  - iv) in our opinion, the balance sheet and the profit and loss account dealt with by this report comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956;
  - v) on the basis of the written representations received from the directors, as on 31st December, 2002, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st December, 2002 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956;
  - vi) in our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India :
    - a) in the case of the balance sheet, of the state of affairs of the Company as at 31st December, 2002;
    - b) in the case of the profit and loss account, of the profit for the year ended on that date; and
    - c) in the case of the cash flow statement, of the cash flows for the year ended on that date.

For A.F. FERGUSON & CO.  
Chartered Accountants

S.R. Tata  
(Partner)

Mumbai : 29th January, 2003

For LOVELOCK & LEWES  
Chartered Accountants

Thomas Mathew  
(Partner)



## Annexure to the Auditors' Report

(Referred to in Paragraph (3) thereof)

- (1) The Company is maintaining proper records showing full particulars, including quantitative details and situation of fixed assets. All the fixed assets have not been verified by the management during the year but, according to the information and explanations given to us, there is a regular programme of verification which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. No material discrepancies between the book records and the physical inventory have been noticed in respect of the assets physically verified.
- (2) The fixed assets of the Company have not been revalued during the year.
- (3) The stocks of finished goods, stores, spare parts and raw materials have been physically verified by the management during the year. In respect of stocks lying with third parties, these have substantially been confirmed by them. In our opinion, the frequency of verification is responsible.
- (4) In our opinion and according to the information and explanations given to us, the procedures of physical verification of stocks followed by the management were found reasonable and adequate in relation to the size of the company and the nature of its business.
- (5) The discrepancies noticed on verification between the physical stocks and the book records were not material in relation to the operations of the company.
- (6) On the basis of our examination of stock records, in our opinion, the valuation of stocks is fair and proper in accordance with the normally accepted accounting principles and is on the same basis as in the preceding year.
- (7) The company has not taken any loans, secured or unsecured, from companies, firms or other parties listed in the Register maintained under Section 301 of the Companies Act, 1956, where the rate of interest and other terms and conditions are, in our opinion, prima facie prejudicial to the interest of the company. In terms of sub-section (6) of Section 370 of the Companies Act, 1956, provisions of the Section are not applicable to a Company on or after 31st October, 1998.
- (8) The company has not granted any loans, secured or unsecured, to companies, firms or other parties listed in the Register maintained under Section 301 of the Companies Act, 1956, where the rate of interest and other terms and conditions are, in our opinion, prima facie prejudicial to the interest of the company. In terms of sub-section (6) of Section 370 of the Companies Act, 1956, provisions of the Section are not applicable to a company on or after 31st October, 1998.
- (9) In respect of loans and advances in the nature of loans given by the company, where stipulations have been made, the parties are generally repaying the principal amounts as stipulated or as rescheduled and have also been regular in the payment of interest where applicable.
- (10) In our opinion and according to the information and explanations given to us, having regard to the explanations that some of the items are of a special nature for which alternative quotations are not available, there are adequate internal control procedures commensurate with the size of the company and the nature of its business for the purchase of stores, raw materials including components, plant and machinery, equipment and other assets, and for the sale of goods.
- (11) In our opinion and according to the information and explanations given to us, no goods and material, aggregating during the year Rs. 50,000 or more in respect of each party, were purchased and no goods, materials and services, aggregating during the year to Rs. 50,000 or more in respect of each party, were sold, in pursuance of contracts or arrangements entered in the Register maintained under Section 301 of the Companies Act, 1956.
- (12) As explained to us, the company has a regular procedure for the determination of unserviceable or damaged stores, raw materials and finished goods. Adequate provision has been made in the accounts for the loss arising on the items so determined.
- (13) In our opinion and according to the information and explanations given to us, the company has complied with the provisions of Section 58A of the Companies Act, 1956, and the Companies (Acceptance of Deposits) Rules, 1975, with regard to deposits accepted from the public.
- (14) In our opinion, reasonable records have been maintained by the company for the sale and disposal of realisable tea waste, by-products and scrap, where significant.
- (15) In our opinion, the company has an internal audit system commensurate with its size and nature of its business.
- (16) We have broadly reviewed the books of account maintained by the company in respect of products where, pursuant to the Rules made by the Central Government, the maintenance of cost records has been prescribed under Section 209(1)(d) of the Companies Act, 1956. We are of the opinion that prima facie the prescribed accounts and records have been maintained and are being made up. We have not, however, made a detailed examination of the records with a view to determining whether they are accurate or complete.
- (17) According to the information and explanations given to us and according to the records of the company, Provident Fund and Employees' State Insurance (ESI) dues, where applicable, have been regularly deposited during the year with appropriate authorities.
- (18) According to the information and explanations given to us, there were no undisputed amounts payable in respect of income tax, wealth tax, sales tax, customs duty and excise duty which have remained outstanding as at 31st December, 2002 for a period of more than six months from the date they became payable.
- (19) According to the information and explanations given to us and the records of the company examined by us, no personal expenses have been charged to revenue account.
- (20) The company is not a sick industrial company within the meaning of clause (o) sub-section (1) of Section 3 of the Sick Industrial Companies (Special Provisions) Act, 1985.
- (21) In respect of the company's service activities, we further report that :
  - (a) there is a reasonable system of recording receipts, issues and consumption of materials and stores, where applicable, and allocating material consumed to the relative jobs;
  - (b) there is a reasonable system of allocating man-hours utilised, where applicable, to the relative jobs;
  - (c) there is a reasonable system of authorisation at proper levels, and an adequate system of internal control, on the issue of stores and allocation of stores and labour to jobs;
 commensurate with the size of the company and nature of its business.
- (22) As explained to us, in respect of the trading activities of the company, damaged goods have been determined and adequate provision has been made in the accounts for the loss arising on the items so determined.

For A.F. FERGUSON & CO.  
Chartered Accountants

S.R. Tata  
(Partner)

For LOVELOCK & LEWES  
Chartered Accountants

Thomas Mathew  
(Partner)

Mumbai : 29th January, 2003



## Cash Flow Statement for the year ended 31st December, 2002

		2002 Rs. lakhs	2001 Rs. lakhs
<b>A. Cash Flow from Operating Activities :</b>			
Profit before taxation and exceptional items		2197,11.56	1943,37.22
Adjustments for :			
Depreciation	134,10.06		144,65.97
Foreign Exchange	3.95		2.23
Gain on sale of fixed assets held for disposal	(0.68)		(44.07)
Surplus on disposal of investments (net)	(28,20.61)		(44,49.44)
Reversal of provision for diminution in value of investments and excess of cost over fair value of current investments (net)	(1,95.76)		(29,45.22)
Deficit on disposal of fixed assets (net)	4,08.67		8,38.22
Interest income	(196,78.05)		(192,26.42)
Dividend income	(55,62.33)		(62,85.26)
Interest expenditure	9,18.40		7,74.42
		(135,16.35)	(168,69.57)
Operating Profit before Working Capital Changes		2061,95.21	1774,67.65
Adjustments for :			
Trade and Other Receivables	40,86.89		(197,68.01)
Inventories	(88,33.12)		(62,80.57)
Trade Payables and Other Liabilities	3,19.03		242,63.01
		(44,27.20)	(17,85.57)
Cash generated from operations		2017,68.01	1756,82.08
Income Taxes paid (net of refunds)		(441,21.23)	(445,94.69)
Cash flow before exceptional items		1576,46.78	1310,87.39
Payment made in respect of discontinuance of Thermometer operations and ice cream restructuring included in exceptional items		(9,69.33)	(3,41.69)
<b>Net Cash from Operating Activities</b>	<b>A</b>	<b>1566,77.45</b>	<b>1307,45.70</b>
<b>B. Cash Flow from Investing Activities :</b>			
Purchase of fixed assets	(211,63.98)		(288,82.22)
Sale of fixed assets	56,05.63		38,46.26
Purchase of investments	(5521,61.80)		(3428,62.81)
Sale of investments	4832,13.44		3565,74.86
Transfer of Animal Feeds Trademark - exceptional item	—		22,59.49
Consideration received on sale of Businesses (Note 2 to 6 below)	185,00.63		112,00.00
Interest received	193,46.17		209,21.14
Dividend received	59,78.34		56,26.41
<b>Net Cash from / (used) in Investing Activities</b>	<b>B</b>	<b>(406,81.57)</b>	<b>286,83.13</b>
<b>C. Cash Flow from Financing Activities :</b>			
Dividends paid	(1095,73.71)		(990,26.78)
Tax on distributed profits	—		(101,02.38)
Interest paid	(9,27.21)		(4,98.67)
Bank overdrafts (net)	(17,00.14)		(19,92.17)
Proceeds from borrowings	2,81.98		3,06.41
Repayments of borrowings	(11,25.94)		(93,17.77)
<b>Net Cash used in Financing Activities</b>	<b>C</b>	<b>(1130,45.02)</b>	<b>(1206,31.36)</b>
<b>Net Increase in Cash and Cash equivalents</b>	<b>(A+B+C)</b>	<b>29,50.86</b>	<b>387,97.47</b>
<b>Cash and Cash equivalents as at 1st January (Opening Balance)</b>		<b>913,15.01</b>	<b>522,05.55</b>
Cash and Cash equivalents as at 1st July, 2001 of the erstwhile International Bestfoods Limited and Aviance Limited taken over on amalgamation		—	3,11.99
<b>Cash and Cash equivalents as at 31st December (Closing Balance)</b>		<b>942,65.87</b>	<b>913,15.01</b>



## Notes to the Cash Flow Statement for the year ended 31st December, 2002

	2002 Rs. lakhs	2001 Rs. lakhs
1. Cash and cash equivalents include :		
Cash and bank balances	942,62.60	913,15.69
Unrealised loss / (gain) on foreign currency cash and cash equivalents	3.27	(0.68)
Total cash and cash equivalents	<u>942,65.87</u>	<u>913,15.01</u>
2. Details of purchase consideration on selling seeds business, considered under exceptional items to PEGSL :		
Receivable from PEGSL for sale of Seeds business (including Rs. 39,12.06 lakhs towards net current assets)	115,02.00	
Cash and cash equivalent received	91,02.75	
Shares in PEGSL	7,19.25	
Balance Receivable (Refer Schedule 11)	<u>16,80.00</u>	
3. Consideration received on sale of Diversey Lever business, considered under exceptional items (including Rs. 7,35.85 lakhs towards net current assets)	<u>56,03.97</u>	
4. Consideration on sale of Leather Exports business (Note 15 (ii) of Notes to Profit and Loss Account) (including Rs. 11,05.85 lakhs towards net current assets)	16,42.60	
Cash and cash equivalent received	6,42.60	
Balance receivable, converted to intercorporate deposit	<u>10,00.00</u>	
5. Consideration on sale of Mushroom Exports business, considered under exceptional items (including Rs. 5,84.36 lakhs towards net current assets)	<u>13,74.90</u>	
Cash and cash equivalent received	13,60.00	
Balance receivable	<u>14.90</u>	
6. Details of purchase consideration on transfer of businesses, considered under exceptional items to ICI Limited (ICI) :		
Receivable from ICI for transfer of undertakings relating to the Nickel Catalyst and Adhesives businesses (including Rs. 6,71.31 lakhs towards net current assets)	—	26,91.31
Cash and cash equivalent received as at 31st December, 2001 from ICI	—	9,00.00
Balance Receivable	<u>17,91.31</u>	<u>17,91.31</u>
Balance received during the year	<u>17,91.31</u>	<u>—</u>
7. In view of notes 2 to 6 above, the current year's figures are not comparable with those of the previous year.		
8. The cash flow statement has been prepared in accordance with the requirements of Accounting Standard - 3 "Cash Flow Statement" issued by the Institute of Chartered Accountants of India.		
9. Previous year's figures have been regrouped wherever necessary to conform to this year's classification.		

## Additional Information : Economic Value Added (EVA)

### What is EVA?

\*Traditional approaches to measuring "Shareholders' Value Creation" have used parameters such as earnings capitalisation, market capitalisation and present value of estimated future cash flows. Extensive equity research has now established that it is not earnings *per se*, but VALUE which is important. A new measure called "Economic Value Added" (EVA) is increasingly being applied to understand and evaluate financial performance.

**\*EVA = Net Operating Profit after Taxes (NOPAT) - Cost of Capital Employed (COCE), where ,**

NOPAT = Profits after depreciation and taxes but before interest costs. NOPAT thus represents the total pool of profits available on an ungeared basis to provide a return to lenders and shareholders, and

COCE = Weighted average cost of capital (WACC) (x) Average capital employed.

\*Cost of debt is taken at the effective rate of interest applicable to an "AAA" rated company like HLL with an appropriate mix of short, medium and long term debt, net of taxes. We have considered a pre-tax rate of 10.2% for 2002 (12% for 2001) after taking into account the trends over the years and market situations.

\*Cost of equity is the return expected by the investors to compensate them for the variability in returns caused by fluctuating earnings and share prices.

Cost of equity = Risk-free return equivalent to yield on long term Government bonds (taken at 7.2% for 2002)

(+)

Market-risk premium (taken at 9%) (x) Beta variant for the Company, (taken at 0.8) where the Beta is a relative measure of risk associated with the Company's shares as against the market as a whole.

Thus HLL's cost of equity = 7.2% + 9% (x) 0.8 = 14.4%

### What does EVA show?

EVA is residual income after charging the Company for the cost of capital provided by lenders and shareholders. It represents the value added to the shareholders by generating operating profits in excess of the cost of capital employed in the business.

### When will EVA increase?

EVA will increase if :

- Operating profits can be made to grow without employing more capital, i.e. greater efficiency.
- Additional capital is invested in projects that return more than the cost of obtaining new capital, i.e. profitable growth.
- Capital is curtailed in activities that do not cover the cost of capital, i.e., liquidate unproductive capital.

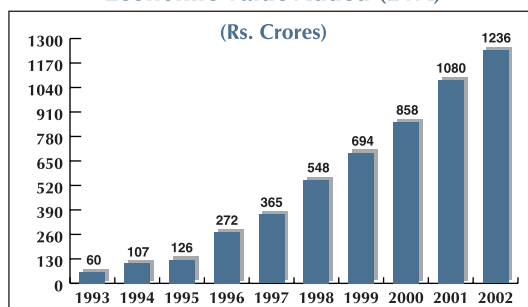
### EVA in practice at Hindustan Lever Ltd.

In Hindustan Lever, the goal of sustainable long term value creation for our shareholders is well understood by all the business groups. Measures to evaluate business performance and to set targets take into account this concept of value creation.

## EVA Trends : 1993-2002 (Unaudited)

(Rs. crores)	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
<b>Cost of Capital Employed (COCE)</b>										
1. Average Debt	135	97	110	156	160	165	162	93	50	45
2. Average Equity	359	462	588	815	1127	1487	1908	2296	2766	3351
3. Average Capital Employed : (1) + (2)	494	559	698	971	1287	1652	2070	2389	2816	3396
4. Cost of Debt, post-tax %	6.76	7.36	7.56	7.88	8.82	9.10	8.61	8.46	7.72	6.45
5. Cost of Equity %	19.70	19.70	19.70	19.70	19.70	19.70	19.70	19.70	16.70	14.4
6. Weighted Average Cost of Capital % (WACC)	16.17	17.57	17.79	17.80	18.34	18.64	18.83	19.27	16.54	14.3
7. COCE : (3) x (6)	80	98	124	173	236	308	390	460	466	486
<b>Economic Value Added (EVA)</b>										
8. Profit after tax, before exceptional items	127	190	239	413	580	837	1070	1310	1541	1716
9. Add : Interest, after taxes	13	15	11	32	21	19	14	8	5	6
10. Net Operating Profits After Taxes (NOPAT)	140	205	250	445	601	856	1084	1318	1546	1722
11. COCE, as per (7) above	(80)	(98)	(124)	(173)	(236)	(308)	(390)	(460)	(466)	(486)
12. EVA : (10) - (11)	60	107	126	272	365	548	694	858	1080	1236

### Economic Value Added (EVA)





## Significant Accounting Policies

### Basis for preparation of accounts

The accounts have been prepared to comply in all material aspects with applicable accounting principles in India, the Accounting Standards issued by the Institute of Chartered Accountants of India.

### Revenue Recognition

Sales are recognised when goods are supplied and are recorded net of trade discounts, rebates, sales taxes and excise duties (on goods manufactured and outsourced) but include, where applicable, export incentives such as duty drawbacks and premiums on sale of import licences. It does not include inter-divisional transfers.

Income from Property Development Activity is recognised under the completed contract method and in terms of arrangements with developers, where applicable.

Incomes from services rendered are booked based on agreements/arrangements with the concerned parties.

Interest on investments are booked on a time proportion basis taking into account the amounts invested and the rate of interest.

Dividend incomes on investments are accounted for when the right to receive the payment is established.

### Expenditure

Expenses are accounted for on accrual basis and provision is made for all known losses and liabilities. Advertising expenses are charged against the profit of the year to which the activities relate.

Revenue expenditure on research and development is charged against the profit of the year in which it is incurred. Capital expenditure on research and development is shown as an addition to fixed assets.

### Goodwill and other Intangible Assets

Trademarks acquired after 1st January, 1998 are amortised over a period of 4 years. Other intangible assets including goodwill are written off in the year in which they are incurred. Goodwill arising on consolidation in accordance with AS-21 is amortised over 4 years at quarterly rests commencing from the quarter of recognition of goodwill.

### Fixed Assets

Fixed assets are stated at cost less depreciation except in the case of certain Land and Development in the Tea Estates Division and Land, Buildings and Plant and Machinery in Rossell Industries Limited are shown at revalued amount. In Tea/Coffee estates, the cost of extension planting of cultivable land including cost of development is capitalised.

Depreciation is provided (except in the case of leasehold land which is being amortised over the period of the lease) on the straight line method (SLM) and at the rates and in the manner specified in Schedule XIV of the Companies Act, 1956. However,

- certain employee perquisite-related assets are depreciated over four to six years, the period of the perquisite scheme
- computers and related assets are depreciated over four years
- certain assets of the cold chain are depreciated over four/seven years and
- assets of Lever India Exports Limited (LIEL) are depreciated on the Written Down Value Method (WDV). The difference between the SLM and WDV basis is not significant.

Assets identified and evaluated technically as obsolete and held for disposal are stated at their estimated net realisable values.

### Investments

Investments are classified into current and long-term investments. Current investments are stated at the lower of cost and fair value. Long-term investments, including in Joint Ventures and Associates, are stated at cost. A provision for diminution is made to recognise a decline, other than temporary, in the value of long term investments.

### Inventories

Inventories are valued at the lower of cost, computed on a weighted average basis, and estimated net realisable value, after providing for cost of obsolescence and other anticipated losses, wherever considered necessary. Finished goods and work-in-progress include costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

### Sundry Debtors and Loans and Advances

Sundry debtors and Loans and Advances are stated after making adequate provisions for doubtful balances.

### Retirement / Post Retirement Benefits

Contributions to defined contribution schemes such as Provident Fund and Family Pension Fund are charged to the profit and loss account as incurred. The Companies also provide retirement / post-retirement benefits in the form of gratuity, pensions, leave encashment and medical. Such benefits are provided for based on valuations, as at the balance sheet date, made by independent actuaries.

### Taxes on Income

Current tax is determined as the amount of tax payable in respect of taxable income for the period.

Deferred tax is recognised, subject to the consideration of prudence, on timing differences, being the difference between taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods. Deferred tax assets are not recognised on unabsorbed depreciation and carry forward of losses unless there is virtual certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised.

### Foreign Currency Translations

Foreign currency assets and liabilities covered by forward contracts are stated at the forward contract rates while those not covered by forward contracts are restated at rates ruling at the year end. Exchange differences relating to fixed assets are adjusted in the cost of the asset. Any other exchange differences are dealt with in the profit and loss account.

### Segment Reporting

The accounting policies adopted for segment reporting are in line with the accounting policies adopted in consolidated financial statements

with the following additional policies being considered for segment reporting :

- a) Inter segment revenue has been accounted for based on the transaction price agreed to between segments which is primarily market led.
- b) Revenue and expenses have been identified to segments on the basis of their relationship to the operating activities of the segment.

Revenue and expenses, which relate to the enterprise as a whole and are not allocable to segments on a reasonable basis, have been included under "Unallocated corporate expenses".



# Profit and Loss Account for the year ended 31st December, 2002

(Figures in brackets represent deductions)

	Notes	2002 Rs. lakhs	2001 Rs. lakhs
<b>INCOME</b>			
Sales	1	<b>10628,60.91</b>	11231,94.46
Other income	2	<b>357,40.15</b>	389,81.43
Total		<b>10986,01.06</b>	11621,75.89
<b>EXPENDITURE</b>			
Operating expenses	3-5	<b>(8645,34.91)</b>	(9510,79.66)
Depreciation / Amortisation (net of transfer from revaluation reserve Rs.87.10 lakhs - 2001 Rs.90.08 lakhs)		<b>(192,64.69)</b>	(202,63.13)
Interest	7	<b>(12,86.10)</b>	(12,31.37)
Total		<b>(8850,85.70)</b>	(9725,74.16)
<b>PROFIT BEFORE TAXATION AND EXCEPTIONAL ITEMS</b>		<b>2135,15.36</b>	1896,01.73
Taxation for the year - current tax	10	<b>(472,62.39)</b>	(417,00.24)
- deferred tax		<b>(25,59.42)</b>	(3,21.35)
<b>PROFIT AFTER TAXATION AND BEFORE EXCEPTIONAL ITEMS</b>		<b>1636,93.55</b>	1475,80.14
Exceptional items (net of tax)	14	<b>45,26.37</b>	100,73.63
<b>PROFIT AFTER EXCEPTIONAL ITEMS</b>		<b>1682,19.92</b>	1576,53.77
Taxation adjustments of previous years (net)	21	<b>14,55.17</b>	(6.23)
<b>PROFIT BEFORE MINORITY INTERESTS</b>		<b>1696,75.09</b>	1576,47.54
<b>Minority Interests</b>		<b>4,70.60</b>	(11.99)
<b>NET PROFIT</b>		<b>1701,45.69</b>	1576,35.55
Balance brought forward		<b>681,83.33</b>	498,47.00
Loss taken over on amalgamation		—	(65,72.99)
Release from investment allowance reserve		<b>1.20</b>	—
<b>Available for distribution</b>		<b>2383,30.22</b>	2009,09.56
<b>Dividends ( 2002 - Subject to deduction of income-tax):</b>			
On equity shares:			
Interim		<b>(550,31.09)</b>	(550,14.88)
Interim dividend payable to the shareholders of the erstwhile International Bestfoods Limited pursuant to the Scheme of Amalgamation		—	(16.22)
Final - proposed		<b>(660,37.31)</b>	(550,31.09)
Tax on distributed profits [2002 - credit, 2001 - after considering credit of Rs. 54,57.48 lakhs ]		<b>56,13.17</b>	(59,31.04)
Transfer to General Reserve		<b>(180,71.00)</b>	(167,33.00)
<b>Balance carried forward</b>		<b>1048,03.99</b>	681,83.33
<b>Earnings Per Share (Rs.) - Basic &amp; Diluted (Face value of Re.1 each)</b>	17	<b>7.73</b>	7.16

For notes, segment information, cash flow statement, related party disclosures and accounting policies  
See pages: F34, F37 to F39, F47 to F54

As per our report attached to the balance sheet

For A.F. FERGUSON & CO. For LOVELOCK & LEWES  
Chartered Accountants Chartered Accountants

S.R. Tata Thomas Mathew  
(Partner) (Partner)

Mumbai : 29th January, 2003

Signatures to pages : F34, F35, F37 to F39,  
F47 to F54

M.S. Banga Chairman  
M.K. Sharma Vice Chairman  
D. Sundaram Finance Director  
P. Kabra Group Controller  
O.P. Agarwal Company Secretary

Mumbai : 29th January, 2003



## Balance Sheet as at 31st December, 2002

(Figures in brackets represent deductions)

	Schedule	2002 Rs. lakhs	2001 Rs. lakhs
<b>SOURCES OF FUNDS</b>			
<b>Shareholders' funds</b>			
Capital	1	220,12.44	220,12.44
Reserves and surplus	2	3470,91.82	2924,53.92
		3691,04.26	3144,66.36
<b>Minority Interests</b>			
		22,87.98	26,19.56
<b>Loan funds</b>			
Secured loans	3	46,79.08	59,68.71
Unsecured loans	4	39,43.55	42,85.83
		86,22.63	102,54.54
		3800,14.87	3273,40.46
<b>APPLICATION OF FUNDS</b>			
<b>Fixed assets</b>			
Gross block		2445,37.53	2306,00.28
Depreciation		(960,34.61)	(839,68.86)
Net block	5	1485,02.92	1466,31.42
Capital work-in-progress		108,84.20	112,25.19
		1593,87.12	1578,56.61
<b>Investments</b>			
	6	2244,85.78	1584,83.60
<b>Current assets, loans and advances</b>			
Inventories	7	1364,07.68	1304,13.24
Sundry debtors	8	435,92.16	468,70.62
Cash and bank balances	9	977,28.21	943,24.97
Other current assets	10	60,70.58	46,34.18
Loans and advances	11	690,69.37	739,32.77
		3528,68.00	3501,75.78
<b>Current liabilities and provisions</b>			
Liabilities	12	(2604,41.25)	(2532,09.53)
Provisions	13	(1237,50.82)	(1115,56.46)
		(3841,92.07)	(3647,65.99)
<b>Net current assets</b>			
		(313,24.07)	(145,90.21)
<b>Deferred Tax</b>			
Deferred Tax Assets	14	393,61.23	362,38.84
Deferred Tax Liabilities	15	(118,95.19)	(106,48.38)
		274,66.04	255,90.46
		3800,14.87	3273,40.46

For schedules, contingent liabilities, segment information, cash flow statement, related party disclosures and accounting policies  
See pages: F34 and F40 to F54

Signatures to pages : F34, F36 and F40 to F54

As per our report attached  
For A.F. FERGUSON & CO.  
Chartered Accountants

For LOVELOCK & LEWES  
Chartered Accountants

S.R. Tata  
(Partner)

Thomas Mathew  
(Partner)

M.S. Banga  
M.K. Sharma  
D. Sundaram  
P. Kabra  
O.P. Agarwal

Chairman  
Vice Chairman  
Finance Director  
Group Controller  
Company Secretary

Mumbai : 29th January, 2003

Mumbai : 29th January, 2003



## Notes to Profit and Loss Account

		2002 Rs. lakhs	2001 Rs. lakhs
<b>INCOME</b>			
1.	<b>Sales</b>	<b>11638,20.98</b>	12363,11.54
	Less : Excise duty (Note 6)	<b>(1009,60.07)</b>	(1131,17.08)
		<b>10628,60.91</b>	11231,94.46
	Sales include duty drawback and licence premium on exports	<b>27,07.27</b>	26,26.28
2.	<b>Other income</b>		
	Income from services rendered	<b>79,64.37</b>	54,18.86
	Income from property development activity	<b>4,41.72</b>	3,96.42
	Interest received-bank and other accounts (gross)	<b>84,41.76</b>	79,77.71
	(Tax deducted at source Rs.19,87.18 lakhs; 2001 - Rs.14,99.18 lakhs)		
	Interest received-non trade (gross) (Note 8)	<b>111,15.86</b>	115,46.90
	(Tax deducted at source Rs.6,42.29 lakhs; 2001 - Rs.9,19.34 lakhs)		
	Dividend income - trade - long term (gross)	<b>10,72.34</b>	9,87.38
	(Tax deducted at source Rs.1,08.56 lakhs; 2001 - Rs.Nil lakhs)		
	Dividend income - non trade - long term (gross)	<b>6,95.03</b>	13,80.05
	(Tax deducted at source Rs.95.31 lakhs; 2001 - Rs.Nil lakhs)		
	Dividend income - non trade - current (gross)	<b>15,57.96</b>	21,43.86
	(Tax deducted at source Rs.44.68 lakhs; 2001 - Rs.Nil lakhs)		
	Surplus on disposal of investments (net) (Note 9)	<b>25,68.37</b>	67,96.01
	Miscellaneous income	<b>18,82.74</b>	23,34.24
		<b>357,40.15</b>	389,81.43
<b>OPERATING EXPENSES</b>			
3.	<b>Materials consumed and Purchase of goods</b>		
	Raw materials consumed	<b>3502,75.63</b>	3358,58.43
	Packing materials consumed	<b>730,86.06</b>	717,76.56
	Purchase of goods (Note 6)	<b>1339,73.79</b>	2222,37.76
4.	<b>General expenditure</b>		
	Salaries, wages, bonus, etc. including compensation under voluntary separation schemes	<b>591,21.76</b>	578,29.16
	Contribution to provident and other funds	<b>45,19.50</b>	63,10.48
	Workmen and staff welfare expenses	<b>40,90.75</b>	41,55.22
	Processing charges	<b>178,72.72</b>	158,03.53
	Consumption of stores and spare parts	<b>40,11.25</b>	36,39.45
	Repairs and maintenance	<b>16,92.52</b>	20,01.23
	- Buildings	<b>45,38.02</b>	44,31.05
	- Plant	<b>9,68.77</b>	10,37.11
	- Others	<b>185,41.56</b>	171,79.24
	Power, light, fuel and water	<b>70,44.52</b>	69,31.08
	Rent	<b>(12,53.75)</b>	9,94.86
	Rates and taxes	<b>90,94.89</b>	108,65.78
	- Excise duty (Note 6)	<b>7,80.80</b>	7,45.65
	- Others	<b>895,15.71</b>	859,00.33
	Insurance	<b>436,58.58</b>	493,95.83
	Advertising and sales promotion	<b>9,09.68</b>	13,85.16
	Carriage and freight	<b>(8,53.90)</b>	1,05.82
	Agents' commission and brokerage	<b>107,80.50</b>	122,71.51
	Provision / (write back) for doubtful debts and advances (net)	<b>3,40.97</b>	8,50.12
	Travelling and motor car expenses	<b>324,17.42</b>	376,44.85
	Deficit on fixed assets sold, scrapped, etc. (net)	<b>(6,96.09)</b>	(7,33.13)
	Miscellaneous expenses (Note 13)		
	Expenses shared by the erstwhile subsidiary company for use of common facilities		
5.	<b>Stocks</b>		
	Opening stocks :		
	- Work-in-progress	<b>50,05.84</b>	51,82.46
	- Processed chemicals	<b>10,87.20</b>	14,23.42
	- Finished goods	<b>610,06.20</b>	627,39.14
	Adjustment to stocks :		
	- As at 30th March, 2002, of Seeds business [Note 15 (i)]	<b>(17,04.05)</b>	—
	- As at 3rd May, 2002, of Diversey Lever business [Note 15 (ii)]	<b>(1,19.79)</b>	—
	- As at 1st April, 2002, of Disinfectant Cleaner business [Note 19(i)]	<b>3,89.91</b>	—
	- As at 1st April, 2001, of the International Bestfoods Limited	—	7,69.76
	- As at 10th December, 2001, of the Nickel Catalyst Business	—	(59.16)
	- As at 28th December, 2001, of the Adhesives Business	—	(25.07)
	- As at 31st March, 2001, of the Quest Business	—	(4,68.73)
	Closing stocks :		
	- Work-in-progress	<b>(50,70.90)</b>	(50,05.84)
	- Processed chemicals	<b>(5,84.76)</b>	(10,87.20)
	- Finished goods	<b>(599,06.40)</b>	(610,06.20)
		<b>8645,34.91</b>	9510,79.66
6.	With a view to harmonise the reporting of excise duty relating to outsourced products in line with that of in-house manufactured products, excise duty relating to outsourced products has been reduced from Purchase of Goods and adjusted as appropriate, in Sales. Consequently, Purchase of Goods is net of excise duty amounting to Rs. 172,94.79 lakhs (2001 - Rs. 318,91.08 lakhs). After adjusting for the movement in opening and closing inventories of such outsourced products, Sales is lower by Rs. 181,05.54 lakhs (2001 - Rs. 322,30.64 lakhs). This reclassification has no impact on the net profit reported for either the current or the previous year.		
7.	Interest paid on bank and other accounts Rs. 12,83.04 lakhs (2001 - Rs. 12,23.13 lakhs) and on debentures and fixed loans Rs. 3.06 lakhs (2001 - Rs. 8.24 lakhs).		



## Notes to Profit and Loss Account

8.	Interest received - non trade (gross) comprise Rs. 18,88.95 lakhs (2001 - Rs. 3,86.51 lakhs) and Rs. 92,26.91 lakhs (2001 - Rs. 111,60.39 lakhs) in respect of long term and current investments respectively.		
9.	Surplus on disposal of investments (net) comprise: - a profit on disposal of current investments (net) Rs. 25,68.37 lakhs (2001 - Rs. 60,87.36 lakhs) - a profit on disposal of long term investments (net) Rs. nil lakhs (2001 - Rs. 7,08.65 lakhs)		
10.	The tax year for the companies incorporated in India being the year ending 31st March, the provision for taxation for the year of these companies is the aggregate of the provision made for the three months ended 31st March, 2002 and the provision based on the figures for the remaining nine months up to 31st December, 2002, the ultimate tax liability of which will be determined on the basis of the figures for the period 1st April, 2002 to 31st March, 2003. The tax year for Nepal Lever Limited is the year ending 15th July.		
11.	The net difference in foreign exchange (i.e. the difference between the spot rates on the dates of the transactions, and the actual rates at which the transactions are settled/appropriate rates applicable at the year end) credited to the Profit and Loss Account is Rs. 5,15.64 lakhs (2001 - Rs. 2,66.77 lakhs).		
		<b>2002</b>	<b>2001</b>
12.	<b>Operating expenses include</b>	<b>Rs. lakhs</b>	<b>Rs. lakhs</b>
	Research and Development expenses	<b>25,27.50</b>	<b>37,79.04</b>
13.	<b>Miscellaneous expenses</b>		
i)	is net of credit on reversal / writeback of provision for estimated losses on disposal of fixed assets rendered surplus Rs. 17,18.00 lakhs (net) (2001 - includes provision of Rs. 19,89.00 lakhs (net)). The loss arising out of disposal is included in "Deficit on fixed asset sold, scrapped, etc (net)".		
ii)	includes charge for provision on diminution in value of long term investments Rs. 1.15 lakhs (2001 - Rs.14,50.00 lakhs (net)).		
iii)	is net of credit for write back of charge in respect of excess of cost over fair value of current investments (net) Rs. 2,11.06 lakhs (2001 - Rs. 1.29 lakhs).		
14.	<b>Exceptional items</b>		
i)	Profit arising from the sale of the Seeds business (Refer Note 15 (i) below)	<b>74,72.18</b>	—
ii)	Profit arising from sale of Diversey Lever business (Refer Note 15 (ii) below)	<b>46,87.19</b>	—
iii)	Profit on sale / Transfer of Trademarks pertaining to Animal Feeds business	—	22,96.99
iv)	Profit arising from the sale of the Quest Flavours and Fragrances Business, etc.	—	119,86.00
v)	Profit arising from the sale of the Nickel Catalyst and Adhesives Businesses	—	17,14.14
	<b>Total exceptional income</b>	<b>121,59.37</b>	<b>159,97.13</b>
vi)	Provision for additional liability for retirement / post retirement and other employee benefits consequent to increase in annuity rates announced by Life Insurance Corporation of India arising from fall in interest rates, and review of assumptions used for actuarial valuations	<b>(120,68.00)</b>	—
vii)	Costs incurred for discontinuance of the Thermometer operations	—	(11,00.00)
viii)	Provision for estimated losses on disposal of fixed assets consequent to the restructuring of Culinary manufacturing operations	—	(19,24.75)
ix)	Provision for estimated costs on asset write-off and related restructuring of the Ice Cream operations	—	(43,04.23)
x)	Provision for additional liability for retirement / post retirement benefits and other employee benefits arising from reduction in interest rates and consequent review of assumptions used for actuarial valuations.	—	(63,28.76)
	<b>Total exceptional expenditure</b>	<b>(120,68.00)</b>	<b>(136,57.74)</b>
	<b>Net</b>	<b>91.37</b>	<b>23,39.39</b>
	Taxation on the above - Credit on current tax	—	1,07.10
	- Credit on deferred tax	<b>44,35.00</b>	<b>47,60.14</b>
xi)	One time reduction in tax liability arising from the amalgamation of International Bestfoods Limited with Hindustan Lever Limited	—	28,67.00
	<b>Total tax credit</b>	<b>44,35.00</b>	<b>77,34.24</b>
	<b>Exceptional items (net of tax)</b>	<b>45,26.37</b>	<b>100,73.63</b>
15.	i) The Seeds business of Hindustan Lever Limited (HLL) was sold to Paras Extra Growth Seeds Limited (PEGSL), its subsidiary company effective 30th March, 2002, consequent to an agreement having been entered into with PEGSL and the India Seed Holdings Limited. In terms of the agreement, the shareholding of HLL in PEGSL has been reduced to 26 % in March, 2002. ii) The undertaking engaged in Industrial and Institutional cleaning business (popularly known as Diversey Lever business) of Hindustan Lever Limited was sold to Johnson Wax Professional Private Limited effective 3rd May, 2002.		
16.	The cost of property development activity including movements in work-in-progress are as under :		
	Property Development Activity - Work-in-progress as at 1st January	<b>8,27.02</b>	<b>5,37.71</b>
Add :	Construction cost	<b>5,83.26</b>	<b>3,18.25</b>
	Power, light, fuel and water	<b>0.82</b>	<b>8.75</b>
	Rates and taxes - others	<b>41.24</b>	<b>3.17</b>
	Miscellaneous expenses	<b>21.01</b>	<b>14.14</b>
		<b>6,46.33</b>	<b>3,44.31</b>
		<b>14,73.35</b>	<b>8,82.02</b>
Less :	Property Development Activity - Work-in-progress as at 31st December		
	Cost of property sold, included in miscellaneous expenses	<b>14,31.92</b>	<b>8,27.02</b>
		<b>41.43</b>	<b>55.00</b>
17.	Earnings Per Share has been computed as under:		
	Net Profit (Rs.lakhs)	<b>1701,45.69</b>	<b>1576,35.55</b>
	Weighted average number of Equity shares outstanding	<b>2,20,12,43,793</b>	<b>2,20,09,22,097</b>
	Earnings Per Share (Rs.) - Basic and Diluted ( Face value of Re.1 per share)	<b>7.73</b>	<b>7.16</b>
18.	The significant leasing arrangements of the Companies in the Group are in respect of operating leases for premises (residential, office, stores godown etc.). These leasing arrangements which are not non-cancellable range between 11 months and 10 years generally, or longer, and are usually renewable by mutual consent on mutually agreeable terms. The aggregate lease rentals payable are charged as Rent under note 4 to profit and loss account.		



19. i) Consequent to a Scheme of Arrangement between S.C.Johnson Products Private Limited (SCJPPL) and TOC Disinfectants Limited (TOCDL), and their respective shareholders and creditors, and sanctioned by the Hon'ble High Court of Judicature at Bombay, the Disinfectant Cleaner business carried out by SCJPPL ( the Demerged Undertaking ) has been transferred to TOCDL, a subsidiary of Hindustan Lever Limited. In terms of the Scheme:
- (a) The face value of the equity shares of SCJPPL has been reduced from Rs.10 each to Rs.5 each.
- (b) TOCDL has issued equity shares of Rs.5 each to the members of SCJPPL as consideration for the Demerged Undertaking taken over. Accordingly, the cost of the shares allotted by TOCDL has been recognised based on the net asset value of the Demerged Undertaking as determined under the Scheme as on the date of the demerger. Appropriate adjustment has also been made to the carrying cost of shares in SCJPPL.
- ii) During the year Indexport Limited, a subsidiary of HLL, acquired entire share capital of erstwhile Sum Electronics Private Limited, which was merged with Indexport Limited effective 1st April, 2002.

20. The consolidated financial statements have been prepared in accordance with Accounting Standard 21 (AS 21) - "Consolidated Financial Statements" issued by the Institute of Chartered Accountants of India.

The subsidiaries considered in the consolidated financial statements are:

Name of the Company	Country of Incorporation	% voting power held as at 31st December, 2002
Lipton India Exports Limited	India	100
Indexport Limited	India	100
Bon Limited	India	100
Nepal Lever Limited	Nepal	80
Lever India Exports Limited	India	100
Merryweather Food Products Limited	India	100
International Fisheries Limited	India	99.98
KICM ( Madras ) Limited	India	100
Modern Food Industries (India) Limited (2001 - 74% of voting power held)	India	100 *
Pond's Exports Limited	India	100
Daverashola Tea Company Limited	India	100
Thiashola Tea Company Limited	India	100
The Doolia Tea Company Limited	India	100
Rossell Industries Limited (Shares held by Lipton India Exports Limited - 2001 - 59.32% of voting power held)	India	60.35
TOC Disinfectants Limited (Shares held by Indexport Limited and Lever India Exports Limited - acquired during the year)	India	50 **
Levers Associated Trust Limited	India	100
Levindra Trust Limited	India	100
Hindlever Trust Limited	India	100

In addition, the following former wholly owned subsidiary Companies (both incorporated in India) have been considered in the Consolidated Financial Statements for the period that they were subsidiary companies during the year :

- Paras Extra Growth Seeds Limited ( Shareholding reduced to 26%)
- Sum Electronics Private Limited ( Acquired during the year and amalgamated with Indexport Limited, effective 1st April, 2002)

\* 1,47,549 shares of 1,47,550 shares are held by the Group

\*\* 5,50,00,120 shares of 11,00,00,160 shares are held by the Group

21. Taxation adjustments of previous years include interest, etc.

22. In view of sale of businesses referred to in note 15 and acquisitions referred to in note 19 above, the Previous year figures are to that extent not comparable. The previous year's figures have been regrouped wherever necessary to conform to this year's classification.



## Schedules to Balance Sheet

		2002 Rs. lakhs	2001 Rs. lakhs
<b>1. CAPITAL</b>			
<b>Authorised</b>			
2,25,00,00,000 equity shares of Re. 1 each		<b>225,00.00</b>	225,00.00
<b>Issued and subscribed</b>			
2,20,12,43,793 equity shares of Re. 1 each fully called and paid up		<b>220,12.44</b>	220,12.44
Of the above shares			
(i) 1,13,48,49,460	Shares of Re. 1 each are held by Unilever PLC., the holding company, and its subsidiaries including 79,48,06,750 shares of Re. 1 each held by Unilever PLC.		
(ii) 79,19,31,203	Shares of Re. 1 each are allotted as fully paid up pursuant to a contract for a consideration other than cash.		
(iii) 1,31,68,54,620	Shares of Re. 1 each are allotted as fully paid up bonus shares by way of capitalisation of share premium and accumulated profits.		
		<b>220,12.44</b>	220,12.44

Hindustan Lever Limited has granted share options under its Employees' Stock Option Scheme and share options outstanding as at 31st December, 2002 are 55,45,951. Of these 23,72,800 options will vest in 2004 and 31,73,151 in 2005.

Also see Schedule 16

**2. RESERVES AND SURPLUS****CAPITAL RESERVES**

	As at 31st December, 2001	Adjustments on acquisition (b)	Additions	Deductions	As at 31st December, 2002
Capital Reserve	3,53.46	—	—	—	<b>3,53.46</b>
Capital Subsidy	3,17.16	—	—	—	<b>3,17.16</b>
Capital Redemption Reserve	1,15.00	—	—	—	<b>1,15.00</b>
Share Premium Account	263,26.13	—	—	—	<b>263,26.13</b>
Revaluation Reserve	29,31.49	—	—	(e) (52.56)	<b>28,78.93</b>
Other Reserves (d)	2,51.05	—	—	—	<b>2,51.05</b>
Total Capital Reserves	302,94.29	—	—	(52.56)	<b>302,41.73</b>

**REVENUE RESERVES**

Investment Allowance Reserve	1.20	—	—	(c) (1.20)	—
Export Profit Reserve	12,26.40	—	—	—	<b>12,26.40</b>
Development Allowance Reserve	26.72	—	—	—	<b>26.72</b>
General Reserve	1927,21.98	—	(a) 180,71.00	—	<b>2107,92.98</b>
Total Revenue Reserves	1939,76.30	—	180,71.00	(1.20)	<b>2120,46.10</b>

**PROFIT AND LOSS ACCOUNT BALANCE**

	681,83.33	—	(a) 1048,03.99	(c) (681,83.33)	<b>1048,03.99</b>
<b>TOTAL RESERVES - 31st December, 2002</b>	<b>2924,53.92</b>	—	<b>1228,74.99</b>	<b>(682,37.09)</b>	<b>3470,91.82</b>
TOTAL RESERVES - 31st December, 2001	2381,35.73	(65,72.99)	1042,18.63	(433,27.45)	2924,53.92

(a) Transfer from profit and loss account.

(b) Reserves (net of adjustments) represents amounts taken over on acquisition of Shares in International Bestfoods Limited.

(c) Transfer to profit and loss account.

(d) Not available for capitalisation / declaration of dividend / share valuation.

(e) Excluding share of Minority Interests of Rs.34.54 lakhs.

**3. SECURED LOANS**

<b>Bank overdrafts</b>		<b>2002 Rs. lakhs</b>	<b>2001 Rs. lakhs</b>
- secured by hypothecation of stocks, book debts, etc.		<b>18,87.53</b>	41,34.41
	<b>A</b>	<b>18,87.53</b>	41,34.41
<b>Term Loans</b>			
- From Banks		<b>16,00.00</b>	—
- Secured by hypothecation of certain stocks, book debts, other current assets etc.		<b>16,00.00</b>	—
	<b>B</b>	<b>16,00.00</b>	—
<b>Other loans and advances</b>			
- Secured by a first charge on certain movable and immovable fixed assets and second charge on current assets		<b>11,91.55</b>	18,11.20
- Secured by charges on certain assets		—	23.10
	<b>C</b>	<b>11,91.55</b>	18,34.30
<b>Total (A+B+C)</b>		<b>46,79.08</b>	59,68.71

**4. UNSECURED LOANS**

Overdrawn bank balances		<b>53.89</b>	1,64.49
Other loans and advances			
- From others		<b>38,89.66</b>	41,21.34
(repayable before 31st December, 2003 - Rs. 45.40 lakhs; 2002 - Rs. 3,48.65 lakhs)		<b>39,43.55</b>	42,85.83



## Schedules to Balance Sheet

## 5. FIXED ASSETS

Rs. lakhs

	GROSS BLOCK						DEPRECIATION			NET BLOCK	
	Cost/ Valuation as at 31st December, 2001	Cost taken over consequent to acquisition (c)	Additions	Deductions/ Transfers	Cost/ Valuation as at 31st December, 2002	As at 31st December, 2001	Depreciation taken over consequent to acquisition (c)	Additions	Deductions/ Transfers	As at 31st December, 2002	As at 31st December, 2001
Goodwill on consolidation	165,58.29 (e)	—	51,08.87	—	216,67.16	50,25.18	—	51,45.29	—	101,70.47	115,33.11
Land - Freehold	57,37.31	1,18.16	3,58.67	(14,00.42)	48,13.72	—	—	—	—	—	57,37.31
- Leasehold	70,54.52	1,57.88	1,01.34	(42.31)	72,71.43	1,92.39	16.58	24.67	(12.73)	2,20.91	68,62.13
Buildings	508,58.79	4,08.07	42,03.09	(8,21.04)	546,48.91	92,45.58	37.14	13,60.37	(1,26.24)	105,16.85	416,13.21
Railway sidings	1.35	—	—	—	1.35	1.35	—	—	—	—	—
Plant & machinery	1076,16.31	2,16.10	143,64.75	(110,48.28)	1111,48.88	433,08.76	32.47	76,26.42	(70,12.38)	439,55.27	643,07.55
Furniture, fittings & office equipment	211,69.67	15.99	30,98.27	(13,69.77)	229,14.16	105,23.21	3.84	26,41.05	(1,81.64)	129,86.46	106,46.46
Trademarks	161,79.87	—	—	—	161,79.87	139,42.33	—	19,79.52	—	159,21.85	22,37.54
Motor vehicles	54,24.17	—	3,10.13	1,57.75	58,92.05	17,30.06	—	5,74.47	(43.08)	36,30.60	36,94.11
<b>Total - 2002</b>	<b>2306,00.28</b>	<b>9,16.20</b>	<b>275,45.12</b>	<b>(145,24.07)</b>	<b>2445,37.53</b>	<b>839,68.86</b>	<b>90.03</b>	<b>193,51.79</b>	<b>(73,76.07)</b>	<b>960,34.61</b>	<b>1485,02.92</b>
<b>Total - 2001</b>	1858,89.25	153,58.46 (d)	393,77.34	(100,24.77)	2306,00.28	631,67.47	48,78.55 (d)	203,53.21	(44,30.37)	839,68.86	1466,31.42

## NOTE :

- a) Capital expenditure commitments - Rs. 26,05.31 lakhs (2001 - Rs. 58,62.66 lakhs).
- b) The title deeds of immovable properties aggregating Rs.30,95.76 lakhs (2001 - Rs.30,95.76 lakhs), acquired on transfer of businesses / undertakings are in the process of being transferred in the name of the respective Companies.
- c) Taken over, pursuant to acquisition of shares in TOC Disinfectants Limited and Sum Electronics Private Limited.
- d) Taken over, pursuant to acquisition of shares in International Bestfoods Limited and Rosell Industries Limited.
- e) Including unamortised balance of Goodwill on consolidation as on 31st December, 2000 of Rs. 89,69.52 lakhs.



## Schedules to Balance Sheet

			2002 Rs. lakhs	2001 Rs. lakhs
<b>6. INVESTMENTS</b> (Long term, Unquoted, unless otherwise stated)				
<b>A. INVESTMENTS IN GOVERNMENT SECURITIES</b>				
	7 Year National Savings Certificates - II Issue		1.16	2.00
	6 Year National Savings Certificates - VIII Issue		—	0.01
	12 Year Post Office National Defence Certificates		0.12	0.12
	Government of India stock of the face value of Rs. 729,35.00 lakhs (2001-Rs.468,28.00 lakhs) (current investments) (quoted)		894,27.90	537,30.69
	Government of India stock of the face value of Rs. 3.25 lakhs (quoted)		3.24	3.24
	Treasury Bills of the face value of Rs. 376,95.00 lakhs (2001-Rs.15,00.00 lakhs)(current investments)		371,42.54	13,80.02
	Indira Vikas Patra		1.00	1.02
	<b>TOTAL – A</b>		<b>1265,75.96</b>	<b>551,17.10</b>
<b>B. TRADE INVESTMENTS AT COST SHARES</b>				
Hind Lever Chemicals Limited	68,92,800	Equity shares of Rs.10 each fully paid (quoted)	52,41.85	52,41.85
Dugdha Sahakari Kraya-Vikraya Samiti Limited	50	Shares of Rs.100 each fully paid	0.05	0.05
Hi Tech Surfactants Limited	58,400	Equity shares of Rs.10 each fully paid	5.87	5.87
Aquagel Chemicals Private Limited	2,84,040	(2001-37,040) Equity shares of Rs.100 each fully paid (2,47,000 shares purchased during the year)	2,65.56	18.56
	9,13,000	7% Cumulative Redeemable Preference Shares of Rs.100 each fully paid (Purchased during the year)	9,13.00	—
Super Bazar Co-op. Stores Limited	1,000	Equity shares of Rs.10 each fully paid	0.10	0.10
Vashisti Detergents Limited	1,69,04,140	Equity shares of Rs.10 each fully paid (quoted)	29,40.00	29,40.00
Kimberly Clark Lever Limited	3,62,50,000	Equity shares of Rs.10 each fully paid	36,25.00	36,25.00
Snowman Frozen Foods Limited	38,32,000	Equity shares of Rs.10 each fully paid	5,01.71	5,01.71
Coffee Futures India Exchange Limited	1	Equity share of Rs.10,000 each fully paid	0.10	0.10
Lever Gist Brocades Private Limited	1,50,00,000	Equity shares of Rs.10 each fully paid	15,00.00	15,00.00
Quest International India Limited	14,11,200	Equity shares of Rs. 100 each fully paid	68,02.41	68,02.41
Goldfield Fragrances Limited	24,000	Equity shares of Rs.10 each fully paid	2.40	2.40
S.C. Johnson Products Private Limited (formerly Lever Johnson (Consumer Products Private Limited)*	—	(2001 - 5,50,00,000) Equity shares of Rs. 10 each fully paid	—	55,00.00
ABC Tea Workers Welfare Services	13,926	Equity shares of Rs.10 each fully paid	1.39	1.39
Project India Blend Limited	1,00,000	Equity shares of Rs.10 each fully paid	10.00	10.00
	<b>TOTAL – B</b>		<b>218,09.44</b>	<b>261,49.44</b>
<b>C. NON-TRADE INVESTMENTS AT COST SHARES, DEBENTURES &amp; BONDS</b>				
ICICI Bank Limited (formerly ICICI Limited)	1,48,231	(2001 - 2,96,463) Equity shares of Rs.10 each fully paid (quoted) (Shares issued in the ratio of 1:2 consequent to merger of ICICI Limited with ICICI Bank)	1,66.04	1,66.04
	—	(2001 - 20,000) 9.50% Unsecured Non Marketable Regular Income Bonds in the nature of Debentures of face value of Rs.1,00,000 each (Matured during the year) (Current Investments)	—	200,00.00
	—	(2001 - 1) 8.50% Non-transferable deposit receipt of Face value of Rs.60,00.00 lakhs (Matured during the year) (Current Investments)	—	60,00.00
	1	9.84% Non-transferable deposit receipt of Face value of Rs.50,00.00 lakhs (Purchased during the year) (Current Investments)	50,00.00	—
	—	(2001-205) Bonds of Rs.10,000 each (Matured during the year)	—	4.03
S.C.Johnson Products Private Limited (formerly Lever Johnson (Consumer Products) Private Limited)*	5,50,00,000	(2001 - 5,50,00,000) Equity shares of Rs. 5 each (2001 - Rs.10 each) fully paid	27,50.00	—
Paras Extra Growth Seeds Limited**	73,12,400	(2001 - 1,19,900) Equity shares of Rs. 10 each fully paid (71,92,500 shares purchased during the year)	8,41.53	—
Mahanagar Telephone Nigam Limited	—	(2001-500) 11.75% 14th A Series Taxable Government guaranteed Bonds of Rs. 1,00,000 each (Redeemed during the year) (Current Investments)	—	5,00.37
Indian Telephone Industries Limited	—	(2001-750) 13.25% E Series Taxable Government guaranteed Bonds of Rs. 1,00,000 each (Redeemed during the year) (Current Investments)	—	7,50.07
Indian Railway Finance Corporation	—	(2001-70,000) 9.00% Sixth E Series Tax Free Bonds of Rs. 1,000 each (Redeemed during the year) (Current Investments)	—	7,00.05
	—	(2001-20,000) 9.00% Sixth E Series Tax Free Bonds of Rs. 1,000 each (Redeemed during the year) (Current Investments)	—	2,00.02
	—	(2001-50,000) 9.00% Sixth C Series Tax Free Bonds of Rs. 1,000 each (Redeemed during the year) (Current Investments)	—	5,00.05



## Schedules to Balance Sheet

			2002 Rs. lakhs	2001 Rs. lakhs
<b>6. INVESTMENTS (Contd.)</b>				
		(Long term, Unquoted, unless otherwise stated)		
	—	(2001-1,00,000) 10.50% Ninth M Series Tax Free Bonds of Rs. 1,000 each (Redeemed during the year) (Current Investments)	—	10,00.10
	30,000	10.50% Eleventh Series Tax Free Non-Cumulative Bonds of Rs.1,000 each (Purchased during the year) (Current Investments)	3,00.00	—
	30,000	10.50% Twelfth A Series Tax Free Non-Cumulative Bonds of Rs.1,000 each (Purchased during the year) (Current Investments)	3,00.00	—
	3,00,000	10.50% Twelfth A Series Tax Free Secured Redeemable Non Convertible Bonds of Rs. 1,000 each (Current Investments)	30,00.00	30,00.00
Nuclear Power Corporation of India Limited	—	10.25% XI - A Series Tax Free Bonds of Rs. 1,00,000 each (1,600 bonds purchased and sold during the year) (Current Investments)	—	—
SBI Home Finance Limited	1,44,200	Equity shares of Rs.10 each fully paid (quoted)	14.42	14.42
Ranbaxy Laboratories Limited	440	(2001 - 200 )Equity shares of Rs.10 each fully paid (quoted) (240 bonus shares received during the year)	0.60	0.60
Sterling Holiday Resorts	—	Sterling Holiday Resorts Time Shares	0.67	0.67
Maharashtra Krishna Valley Development Corporation	25	(2001-50) 17.50% Secured Bonds of the face value of Rs. 1,00,000 each (25 Bonds redeemed during the year) (Listed but not quoted)	25.00	50.00
Comfund Financial Services India Limited	2,40,000	Equity shares of Rs.10 each fully paid.	24.00	24.00
Assam Bengal Cereals Limited	8,284	Equity shares of Rs.10 each fully paid.	0.83	0.83
The Bengal Chamber of Commerce & Industry	14	6 1/2% Non-redeemable Registered Debentures. (Face value Rs. 0.14 lakh )	0.17	0.17
Woodlands Hospital and Medical Research Centre Limited	1	5% Non-redeemable Registered Debenture stock (Face value Rs 0.27 lakh )	0.27	0.27
	44	1/2 % Debentures of Rs 100 each (Face value Rs 0.05 lakh : Cost Rs 100).	—	—
Shillong Club Limited	56	5 % Debentures of Rs.100 each (Cost Rs. Nil)	—	—
	1	5 % Registered Debentures of Rs.10,200 fully paid	—	—
East India Clinic Limited	1	5 % Registered Debentures of Rs.17,750 fully paid	—	—
The Nilgiri Co-operative Enterprises Limited	200	Shares of Rs.100 each fully paid.	0.20	0.20
Biotech Consortium India Limited	1,00,000	Equity shares of Rs.10 each fully paid	10.00	10.00
Scooters India Limited	10,000	Equity shares of Rs.10 each fully paid (listed but not quoted)	1.00	1.00
Annamalais Ropeway Company Limited	1,150	Ordinary shares of Rs. 100 each fully paid (Cost Rs. Nil)	—	—
Saraswat Cooperative Bank Limited	2,005	Equity shares of Rs.10 each fully paid	0.20	0.20
National Bank for Agriculture and Rural Development	1,06,705	8.50% Capital Gains Bonds of Rs.10,000 each	106,70.50	106,70.50
	52,530	8.00% Capital Gains Bonds of Rs.10,000 each (Purchased during the year)	52,53.00	—
National Highways Authority of India	1,31,250	8.00% Capital Gains Bonds of Rs.10,000 each (Purchased during the year)	131,25.00	—
* Reclassified to Non-Trade Investments from Trade Investments (Refer Note 19(i) of Notes to Profit and Loss Account)				
** Reclassified from Investments in subsidiary companies subsequent to reduction in stake in the Company during the year (Refer Note 15(i) of Notes to Profit and Loss Account)				
<b>OTHERS</b>				
Unit Trust of India	370	(2001 - 1,120) Fully paid units of Venture Capital Unit Scheme, 1990 (VECAUS - II) of Rs. 100 each (750 units redeemed during the year)	0.37	1.12
	—	(2001 - 5,00,00,000)Units of Rs.10 each under the Institutional Investor's Special Fund Units Scheme (IISFUS), 1997 (Matured during the year)	—	50,00.00
	—	(2001 - 4,02,77,895) Units of Rs.10 each under the Monthly Income Plan, 1997 (60,13,490 units cumulated during the year, 4,62,91,385 units matured during the year)	—	40,27.79
	40,590	Units of Rs.10 each under the Unit Scheme - 64 (Current Investments)	2.44	2.44
	5,000	Master Gain 92 units of Rs.10 each	0.50	0.50
Prudential ICICI Mutual Fund	87,84,096	Units of Prudential ICICI Gilt Fund -Treasury Plan -Growth (2001-2,43,99,873) Units of Prudential ICICI Gilt Fund-Treasury Plan-Dividend (Sold during the year)(Current Investments)	9,50.00	9,50.00
	—	(2001-2,43,99,873) Units of Prudential ICICI Gilt Fund-Treasury Plan-Dividend (Sold during the year)(Current Investments)	—	25,00.00
	1,85,47,054	Units of Prudential ICICI Gilt Fund-Treasury Plan-Growth (Purchased during the year)(Current Investments)	25,05.36	—
	—	(2001-2,94,01,479) Units of Prudential ICICI Income Plan-Dividend (Sold during the year)(Current Investments)	—	30,00.00
	2,35,63,385	Units of Prudential ICICI Income Plan-Growth (Purchased during the year) (Current Investments)	39,30.16	—
	—	(2001-3,45,33,313 ) Units of Prudential ICICI Liquid Plan-Dividend (9,72,40,912 units purchased, 21,60,821 units cumulated and 13,39,35,046 units sold during the year) (Current Investments)	—	40,83.11
	1,20,00,000	Units of Prudential ICICI Fixed Maturity Plan - Growth Yearly - Series VI (Purchased during the year)(Current Investments)	12,00.00	—
	2,55,96,241	Units of Prudential ICICI Short Term Plan-Dividend Reinvestment Option (4,74,18,200 units purchased, 1,34,453 units cumulated and 2,19,56,412 units sold during the year)(Current Investments)	26,65.94	—



## Schedules to Balance Sheet

			2002 Rs. lakhs	2001 Rs. lakhs
<b>6. INVESTMENTS (Contd.)</b>				
		(Long term, Unquoted, unless otherwise stated)		
DSP Merrill Lynch Mutual Fund	95,01,549	Units of DSP Merrill Lynch Govt. Securities Fund - Plan B-Growth	10,00.00	10,00.00
	1,50,00,000	Units of DSP Merrill Lynch Short Term Fund-Growth (Purchased during the year) (Current Investments)	15,00.00	—
	4,576	Units of DSP Merrill Lynch Liquidity Fund -Dividend (1,20,90,339 units purchased, 95 units cumulated and 1,20,85,858 units sold during the year) (Current Investments)	0.57	—
Standard Chartered Mutual Fund	—	(2001-2,42,95,432) Units of Grindlays Super Saver Income Fund-Quarterly Dividend Option (Sold during the year) (Current Investments)	—	25,00.00
	2,08,04,380	Units of Grindlays Super Saver Income Fund-Investment Plan-Growth Option (Purchased during the year) (Current Investments)	27,53.17	—
	4,05,15,284	Units of Grindlays Super Saver Income Fund-Short Term Plan-Dividend Option (3,98,23,887 units purchased and 6,91,397 units cumulated during the year) (Current Investments)	40,69.90	—
	—	(2001-1,53,18,307) Units of Grindlays Cash Fund-Dividend (7,06,55,784 units purchased, 5,65,488 units cumulated and 8,65,39,579 units sold during the year) (Current Investments)	—	15,31.83
Zurich India Mutual Fund	—	(2001-2,85,71,429) Units of Zurich India High Interest Fund-Regular Dividend (Sold during the year) (Current Investments)	—	30,00.00
	1,33,96,617	Units of Zurich India High Interest Fund-Regular Growth (Purchased during the year) (Current Investments)	25,86.77	—
	—	(2001-1,85,72,849) Units of Zurich India Liquidity Fund-Investment-Dividend (1,38,55,533 units purchased, 1,63,868 units cumulated and 3,25,92,250 units sold during the year) (Current Investments)	—	20,04.32
	—	Units of Zurich India Liquidity Fund-Saving Plan - Weekly Dividend (6,96,44,959 units purchased 9,98,896 units cumulated and 7,06,43,855 units sold during the year)(Current Investments)	—	—
	3,05,88,836	Units of Zurich India High Interest Fund-Short Term Plan-Dividend (3,92,56,762 units purchased, 10,17,398 units cumulated and 96,85,324 units sold during the year) (Current Investments)	31,14.89	—
Jardine Fleming Mutual Fund	—	(2001-93,72,071) Units of Jardine Fleming India Bond Fund-Income Plan-Dividend(Sold during the year) (Current Investments)	—	9,86.88
HDFC Mutual Fund	—	(2001-1,97,82,004) Units of HDFC Income Fund-Dividend(Sold during the year) (Current Investments)	—	20,00.00
	2,31,32,719	Units of HDFC Income Fund-Growth (Purchased during the year) (Current Investments)	30,85.42	—
	—	(2001-2,04,13,597) Units of HDFC Liquid Fund-Dividend Plan (2,49,72,983 units purchased, 9,22,846 units cumulated and 4,63,09,426 units sold during the year) (Current Investments)	—	20,45.18
	2,05,22,049	Units of HDFC Short Term Plan-Dividend (3,91,83,865 units purchased, 10,55,050 units cumulated and 1,97,16,866 units sold during the year) (Current Investments)	20,59.55	—
Alliance Capital Mutual Fund	1,22,00,054	Units of Alliance Income Fund - Regular Growth (Purchased during the year) (Current Investments)	24,43.78	—
	—	(2001-1,00,152) Units of Alliance Cash Manager-Dividend (3,75,680 units purchased, 5,236 units cumulated and 4,81,068 units sold during the year) (Current Investments)	—	10,02.52
	—	Units of Alliance Short Term Fund-Growth (2,35,001 units purchased during the year, subdivided into 2,35,00,151 units and subsequently sold during the year) (Current Investments)	—	—
Franklin Templeton Fund	—	(2001-4,13,79,546) Units of Templeton India Liquid Fund-Weekly Dividend Plan (9,39,50,402 units purchased 19,20,265 units cumulated and 13,72,50,213 units sold during the year) (Current Investments)	—	41,38.78
	3,72,211	Units of Templeton India Short Term Income Plan-Growth (Purchased during the year) (Current Investments)	40,00.00	—
	99,47,578	Units of Templeton India Income Builder Account -Institutional Plan-Growth (Purchased during the year) (Current Investments)	10,17.38	—
<b>TOTAL - C</b>			<b>803,69.63</b>	<b>833,68.06</b>
<b>TOTAL - (A+B+C)</b>			<b>2287,55.03</b>	<b>1646,34.60</b>
Provision for diminution in value of long term investments			<b>(42,69.25)</b>	<b>(61,51.00)</b>
<b>TOTAL</b>			<b>2244,85.78</b>	<b>1584,83.60</b>
Aggregate book value of investments		Unquoted	<b>1266,65.73</b>	<b>963,35.76</b>
		Listed but not quoted	<b>26.00</b>	<b>51.00</b>
		Quoted - Market Value Rs. 1035,11.97 lakhs (2001-Rs. 663,42.63 lakhs)	<b>977,94.05</b>	<b>620,96.84</b>
<b>TOTAL</b>			<b>2244,85.78</b>	<b>1584,83.60</b>



## Schedules to Balance Sheet

	2002 Rs. lakhs	2001 Rs. lakhs
<b>7. INVENTORIES</b> (at lower of cost and net realisable value)		
Stores and spare parts, etc.	39,14.01	33,24.54
Raw materials	583,34.18	524,74.01
Packing materials	71,65.51	66,88.43
Work-in-progress	50,70.90	50,05.84
Processed chemicals	5,84.76	10,87.20
Finished goods	599,06.40	610,06.20
Property Development Activity (Including Land Development rights) - Work-in-progress (Refer 16 of Notes to Profit and Loss Account)	14,31.92	8,27.02
	<b>1364,07.68</b>	<b>1304,13.24</b>
<b>8. SUNDRY DEBTORS (unsecured)</b>		
Considered good		
Over 6 months old	15,87.99	7,93.51
Others	420,04.17	460,77.11
	<b>435,92.16</b>	<b>468,70.62</b>
Considered doubtful		
Over 6 months old	44,61.26	42,57.88
Others	8,76.08	12,05.10
	<b>53,37.34</b>	<b>54,62.98</b>
	<b>489,29.50</b>	<b>523,33.60</b>
Less : Provision for doubtful debts	(53,37.34)	(54,62.98)
	<b>435,92.16</b>	<b>468,70.62</b>
<b>9. CASH AND BANK BALANCES</b>		
Cash on hand	1,90.96	2,34.30
With Scheduled banks		
- on current accounts	273,46.30	244,51.36
- on deposit accounts	692,06.73	692,21.04
Balance with other banks		
- on current accounts	7,34.22	4,18.27
- on deposit accounts	2,50.00	—
	<b>977,28.21</b>	<b>943,24.97</b>
<b>10. OTHER CURRENT ASSETS</b>		
Income accrued on investments	42,86.17	41,47.85
Fixed assets held for sale (at net book value or estimated net realisable value, whichever is lower)	17,84.41	4,86.33
	<b>60,70.58</b>	<b>46,34.18</b>
<b>11. LOANS AND ADVANCES</b> (Unsecured, considered good unless otherwise stated)		
Advances recoverable in cash or in kind or for value to be received [including :-	590,80.09	689,10.74
(i) Rs.145,98.00 lakhs (2001 - Rs. 182,10.17 lakhs) not due before 31st December, 2003;		
(ii) Rs. 108,00.00 lakhs (2001 - Rs. 140,00.00 lakhs ) on account of inter corporate deposits].		
Considered doubtful	51,66.48	58,94.74
	<b>642,46.57</b>	<b>748,05.48</b>
Less : Provision for doubtful advances	(51,66.48)	(58,94.74)
	<b>590,80.09</b>	<b>689,10.74</b>
Receivable from PEGSL (Refer note 3 to Cash Flow Statement)	16,80.00	—
Deposits with Customs, Port Trust, Excise, etc.	77,92.65	45,79.50
Current taxation (payments in excess of provisions)	5,16.63	4,42.53
	<b>690,69.37</b>	<b>739,32.77</b>



## Schedules to Balance Sheet

	2002 Rs. lakhs	2001 Rs. lakhs
<b>12. LIABILITIES</b>		
Acceptances	330,44.82	207,92.16
Sundry creditors (See Schedule 18)		
Small Scale Industrial Undertakings	46,72.08	61,51.20
Others	2156,19.18	2197,71.75
	<b>2202,91.26</b>	2259,22.95
Advances and progress payments - Property		
Development Activity	11,76.83	7,21.76
Security advances	27,04.21	30,67.24
Dividends declared pending payment / encashment	29,11.03	24,22.80
Interim dividend payable to shareholders of the erstwhile International Bestfoods Limited	—	16.22
Interest accrued but not due on loans	3,13.10	2,66.40
	<b>2604,41.25</b>	2532,09.53
<b>13. PROVISIONS</b>		
Current taxation (provisions in excess of payments) including tax on distributed profits	6,44.92	55,72.31
Provision for retirement/post retirement benefits and other employee benefits	536,39.26	371,79.75
Proposed dividend	660,37.31	550,31.09
Other provisions	34,29.33	137,73.31
	<b>1237,50.82</b>	1115,56.46
<b>14. DEFERRED TAX ASSETS</b>		
On Employee Separation and Retirement	211,73.04	146,79.97
On Other timing Differences	127,23.38	117,09.24
On fiscal Allowances on investments	7,77.05	12,17.37
Other items	46,87.76	86,32.26
	<b>393,61.23</b>	362,38.84
<b>15. DEFERRED TAX LIABILITIES</b>		
On fiscal allowances on fixed assets	118,90.04	106,48.38
On Other timing Differences	5.15	—
	<b>118,95.19</b>	106,48.38
<b>16.</b> Pursuant to the order passed by the Hon'ble High Court of Bombay dated 16th June, 1997, the erstwhile Pond's (India) Limited had, on 21st July, 1997 allotted 9,31,000 shares on preferential basis to M/s. Unilever Overseas Holdings BV at a price of Rs. 620/- per share and an amount of Rs.610/- per share was credited to the Share premium account in respect of these shares. These shares and the share premium thereon are subject to the conditions imposed by the Hon'ble High Court of Karnataka in its interim order dated 6th April, 1994 [ Writ petition No. 3863 of 1994] and are subject to the final orders that may be passed by the court on the writ petition. Likewise 9,31,000 bonus shares relating to the preferential allotment made to M/s Unilever Overseas Holdings BV, are subject to the same terms and conditions applicable to the preferential allotment. In respect of the above, 1,39,65,000 shares of Re. 1 each fully paid up of Hindustan Lever Limited have been issued.		
	2002 Rs. lakhs	2001 Rs. lakhs
<b>17. CONTINGENT LIABILITIES</b>		
(i) Claims made against Companies not acknowledged as debts and other matters - gross Rs.538,51.28 lakhs (2001 - Rs. 446,85.46 lakhs) net of tax	405,98.88	345,35.39
(ii) Bills discounted but not matured	98,20.77	90,91.25
(iii) Guarantees given to banks, etc. in respect of third parties	29,32.81	63,28.76
<b>18.</b> The information given in Schedule 12 - "Liabilities" regarding small scale industrial undertakings has been determined to the extent such parties have been identified on the basis of information available with the respective Companies. This has been relied upon by the auditors.		
<b>19.</b> Previous year's figures have been regrouped wherever necessary to conform to this year's classification.		



## Segment Information for the Year Ended 31st December, 2002

### Information About Primary Business Segments

	2002 Rs. lakhs			2001 Rs. lakhs		
	External	Intersegment	Total	External	Intersegment	Total
<b>REVENUE</b>						
Soaps and Detergents	4382,12.69		4382,12.69	4170,71.49		4170,71.49
Personal Products	2246,19.20		2246,19.20	2226,84.90		2226,84.90
Beverages	1232,08.26		1232,08.26	1418,81.72		1418,81.72
Foods	1001,00.87		1001,00.87	1045,83.80		1045,83.80
Ice Creams	118,92.42		118,92.42	157,07.19		157,07.19
Exports	1410,57.01		1410,57.01	1844,74.46		1844,74.46
Other Operations	321,76.55	173,34.16	495,10.71	426,06.18	371,47.86	797,54.04
Eliminations			(173,34.16)			(371,47.86)
<b>Total Revenue (see note 3 to Segment Information)</b>			<b>10712,67.00</b>			<b>11290,09.74</b>
<b>RESULT</b>						
Soaps and Detergents			1125,57.68			978,62.56
Personal Products			752,75.39			706,25.98
Beverages			243,29.27			173,68.85
Foods			(36,67.95)			(23,61.51)
Ice Creams			(14,10.03)			(21,49.73)
Exports			135,66.78			111,34.84
Other Operations			8,54.48			22,58.36
Eliminations			(6,55.00)			8,60.69
<b>Segment Result</b>			<b>2208,50.62</b>			<b>1956,00.04</b>
Un-allocated expenditure net of un-allocated income			(317,10.39)			(341,50.14)
<b>Operating Profit</b>			<b>1891,40.23</b>			<b>1614,49.90</b>
Interest expenses			(12,86.10)			(12,31.37)
Interest / dividend income and surplus on disposal of investments (net) (net of provision / write back for diminution in long term investments and mark down of current investment)			256,61.23			293,83.20
Taxation for the year			(498,21.81)			(420,21.59)
<b>Profit after taxation and before exceptional items</b>			<b>1636,93.55</b>			<b>1475,80.14</b>
Exceptional items - income and expenditure (Segment)						
Foods		—			(19,24.75)	
Ice Creams		—			(43,04.23)	
Other Operations		121,59.37			126,00.14	
			121,59.37			63,71.16
Exceptional items - income and expenditure (Unallocated/Corporate)			(120,68.00)			(40,31.77)
- Tax credit			44,35.00			77,34.24
Taxation adjustments of previous years (net)			14,55.17			(6.23)
<b>Profit before minority Interests</b>			<b>1696,75.09</b>			<b>1576,47.54</b>



## Segment Information for the Year Ended 31st December, 2002

### Information About Primary Business Segments

Other Information	Segment Assets Rs. lakhs		Segment Liabilities Rs. lakhs	
	2002	2001	2002	2001
Soaps and Detergents	<b>1344,00.39</b>	1167,48.61	<b>(1160,19.57)</b>	(1101,38.65)
Personal Products	<b>516,63.16</b>	428,75.89	<b>(412,60.00)</b>	(464,32.40)
Beverages	<b>342,07.34</b>	405,04.29	<b>(383,11.91)</b>	(435,45.84)
Foods	<b>230,48.69</b>	269,58.12	<b>(269,89.90)</b>	(220,46.14)
Ice Creams	<b>88,89.68</b>	127,26.60	<b>(86,79.94)</b>	(76,98.91)
Exports	<b>527,52.85</b>	507,24.62	<b>(230,57.45)</b>	(232,19.69)
Other Operations	<b>312,64.55</b>	369,82.42	<b>(100,14.65)</b>	(111,54.12)
<b>Total</b>	<b>3362,26.66</b>	3275,20.55	<b>(2643,33.42)</b>	(2642,35.75)
Unallocated Corporate Assets / Liabilities	<b>4398,75.47</b>	3752,34.28	<b>(1403,76.47)</b>	(1214,33.16)
<b>Total Assets / Liabilities</b>	<b>7761,02.13</b>	7027,54.83	<b>(4047,09.89)</b>	(3856,68.91)

	Capital expenditure		Depreciation/Amortisation		Non - Cash expenses other than depreciation/amortisation	
	Year 2002	Year 2001	Year 2002	Year 2001	Year 2002	Year 2001
Soaps and Detergents	<b>87,49.78</b>	183,00.86	<b>46,39.95</b>	37,93.86	<b>77.40</b>	9,71.42
Personal Products	<b>48,61.73</b>	26,87.68	<b>16,19.64</b>	34,40.82	<b>79.03</b>	6,35.56
Beverages	<b>3,33.86</b>	14,64.29	<b>7,13.24</b>	7,32.93	<b>(2,56.31)</b>	5,78.92
Foods	<b>3,53.44</b>	6,18.81	<b>13,89.73</b>	12,56.35	<b>1,84.79</b>	1,07.98
Ice Creams	<b>2,29.66</b>	67.28	<b>5,35.29</b>	11,65.77	<b>46.29</b>	41.14
Exports	<b>30,01.10</b>	15,67.87	<b>10,34.99</b>	10,12.16	<b>(1,12.01)</b>	56.56
Other Operations	<b>9,40.88</b>	11,47.46	<b>10,75.65</b>	11,18.20	<b>(4,83.33)</b>	(1,46.32)



## Segment Information for the Year Ended 31st December, 2002

### Information About Secondary Business Segments

	2002 Rs. lakhs	2001 Rs. lakhs
<b>Revenue by Geographical Market</b>		
India	9251,76.32	9392,63.08
Outside India	1460,90.68	1897,46.66
<b>Total</b>	<b>10712,67.00</b>	<b>11290,09.74</b>
<b>Additions to Fixed Assets and Intangible Assets</b>		
India	184,19.13	257,74.25
Outside India	51.32	80.00
<b>Total</b>	<b>184,70.45</b>	<b>258,54.25</b>
<b>Carrying Amount of Segment Assets</b>		
India	3314,79.09	3216,88.46
Outside India	47,47.57	58,32.09
<b>Total</b>	<b>3362,26.66</b>	<b>3275,20.55</b>

#### Notes :

#### 1. Business Segments

The business segment has been considered as the primary segment for disclosure. The products included in each of the reported domestic business segments are as follows:

- **Soaps and Detergents** include soaps, detergent bars, detergent powders, detergent liquids, scourers, etc.
- **Personal Products** include products in the categories of Oral Care, Skin Care (excluding soaps), Hair Care, Deodorants, Talcum Powder, Colour Cosmetics, etc.
- **Beverages** include tea and coffee.
- **Foods** include Oils and Fats, Branded Staples (Atta, Salt, etc.), Culinary Products (tomato based products, fruit based products, soups, etc.), Wheat based products (Bread, Supplementary Nutritional Products, etc.).
- **Ice Creams** include Ice Creams and Frozen Desserts.
- **Others** include Plantations, Chemicals, Agri seeds, Property Development, etc. and the operations of Nepal Lever Limited, Nepal.

Segment Revenue relating to each of the above domestic business segments includes Income from Services provided, where applicable.

In addition, the **Exports** business segment includes sales of Marine Products, Leather Products, Castor, Mushrooms, etc. as well as sales of Soaps and Detergents, Personal Products, Beverages and Foods, etc. by the Exports Division.

The above business segments have been identified considering :

- the nature of products and services
- the differing risks and returns
- the organisation structure, and
- the internal financial reporting systems.

Exports Segment Result includes a charge of Rs. 13,91 lakhs (net) relating to prior periods.

#### 2. Geographical Segments

The geographical segments considered for disclosure are as follows :

- **Sales within India** includes sales to customers located within India.
- **Sales outside India** includes sales to customers located outside India.

	2002 Rs. lakhs	2001 Rs. lakhs
<b>3. Revenue comprise</b>		
Sales	10628,60.91	11231,94.46
Income from services rendered (included in Other Income)	79,64.37	54,18.86
Income from property development activity (included in Other Income)	4,41.72	3,96.42
<b>Total</b>	<b>10712,67.00</b>	<b>11290,09.74</b>

4. Previous year's figures have been regrouped wherever necessary to conform to this year's classification.



## Cash Flow Statement for the year ended 31st December, 2002

		2002 Rs. lakhs	2001 Rs. lakhs
<b>A. Cash Flow from Operating Activities :</b>			
Profit before taxation and exceptional items		2135,15.36	1896,01.73
Adjustments for :			
Depreciation / Amortisation	192,64.69		202,63.13
Foreign Exchange	(9.22)		2.94
Gain on sale of fixed assets held for disposal	(0.69)		(29.10)
Surplus on disposal of investments (net)	(25,68.37)		(67,96.01)
(Reversal of) / Provision for diminution in value of investments and excess of cost over fair value of current investments (net)	(2,09.91)		14,48.71
Deficit on fixed assets sold, scraped, etc. (net)	3,40.97		8,50.12
Interest income	(195,57.62)		(195,24.61)
Dividend income	(33,25.33)		(45,11.29)
Interest expenditure	12,86.10		12,31.37
		(47,79.38)	(70,64.74)
Operating Profit before Working Capital Changes		2087,35.98	1825,36.99
Adjustments for :			
Trade and Other Receivables	63,09.97		(128,74.25)
Inventories	(80,16.93)		(38,12.79)
Trade Payables and Other Liabilities	10,39.22		183,30.42
		(6,67.74)	16,43.38
Cash generated from operations		2080,68.24	1841,80.37
Income Taxes paid (net of refunds)		(451,34.34)	(470,74.33)
Cash flow before exceptional items		1629,33.90	1371,06.04
Payment made in respect of discontinuance of Thermometer operations and ice cream restructuring included in exceptional items		(9,69.33)	(3,41.69)
<b>Net Cash from Operating Activities</b>	<b>A</b>	<b>1619,64.57</b>	<b>1367,64.35</b>
<b>B. Cash Flow from Investing Activities :</b>			
Purchase of fixed assets	(219,90.24)		(287,05.01)
Sale of fixed assets	51,85.72		34,21.77
Purchase of investments	(5385,08.28)		(3287,40.31)
Sale of investments	4704,35.68		3387,26.49
Transfer of Animal Feeds Trademark - exceptional item	—		23,34.49
Consideration received on sale of Businesses (Note 3 to 5 below)	164,98.03		112,00.00
Interest received	190,59.63		213,69.38
Dividend received	33,25.33		44,52.43
<b>Net Cash (used in) / from Investing Activities</b>	<b>B</b>	<b>(459,94.13)</b>	<b>240,59.24</b>
<b>C. Cash Flow from Financing Activities :</b>			
Dividends paid	(1096,36.21)		(990,69.54)
Tax on distributed profits	(61.20)		(102,03.36)
Interest paid	(12,39.40)		(7,67.14)
Bank overdrafts (net)	(23,57.48)		(31,30.79)
Proceeds from borrowings	18,81.98		3,06.41
Repayments of borrowings	(11,56.41)		(132,59.37)
<b>Net Cash used in Financing Activities</b>	<b>C</b>	<b>(1125,68.72)</b>	<b>(1261,23.79)</b>
<b>Net Increase in Cash and Cash equivalents</b>	<b>(A+B+C)</b>	<b>34,01.72</b>	<b>346,99.80</b>
<b>Cash and Cash equivalents as at 1st January (Opening Balance)</b>		<b>943,21.12</b>	<b>590,92.38</b>
Cash and Cash equivalents as at 1st July, 2001 of the erstwhile International Bestfoods Limited and Rossell Industries Limited acquired		—	5,28.94
<b>Cash and Cash equivalents as at 31st December (Closing Balance)</b>		<b>977,22.84</b>	<b>943,21.12</b>



## Notes to the Cash Flow Statement for the year ended 31st December, 2002

	2002 Rs. lakhs	2001 Rs. lakhs
1. Cash and cash equivalents include :		
Cash and bank balances	977,28.21	943,24.97
Unrealised gain on foreign currency cash and cash equivalents	(5.37)	(3.85)
Total cash and cash equivalents	977,22.84	943,21.12
2. a) Investments were made to acquire a subsidiary; erstwhile Sum Electronics Private Limited (since merged with Indexport Limited) for an aggregate purchase consideration in cash of Rs. 3,06.46 lakhs.		
b) During the year, a subsidiary company, TOCDL has been acquired in a non cash transaction. (Refer 19 (i) of Notes to Profit and Loss account).		
	2002 Rs. lakhs	
3. Details of purchase consideration on selling seeds business, considered under exceptional items to PEGSL :		
Receivable from PEGSL for sale of Seeds business (including Rs. 39,12.06 lakhs towards net current assets)	115,02.00	
Cash and cash equivalent received	91,02.75	
Shares in PEGSL	7,19.25	
Balance Receivable (Refer Schedule 11)	16,80.00	
4. Consideration received on sale of Diversey Lever business, considered under exceptional items (including Rs. 7,35.85 lakhs towards net current assets)	56,03.97	
	2002 Rs. lakhs	2001 Rs. lakhs
5. Details of purchase consideration on transfer of businesses, considered under exceptional items to ICI Limited (ICI) :		
Receivable from ICI for transfer of undertakings relating to the Nickel Catalyst and Adhesives businesses (including Rs. 6,71.31 lakhs towards net current assets)	—	26,91.31
Cash and cash equivalent received as at 31st December, 2001 from ICI	—	(9,00.00)
Balance Receivable	17,91.31	17,91.31
Balance received during the year	17,91.31	—
6. In view of notes 2 to 5 above, the current year's figures are not comparable with those of the previous year.		
7. The cash flow statement has been prepared in accordance with the requirements of Accounting Standard - 3 "Cash Flow Statement" issued by the Institute of Chartered Accountants of India.		
8. Previous year's figures have been regrouped wherever necessary to conform to this year's classification.		



## Related Party Disclosures

- A. Where control exists**  
**Holding Company** : Unilever PLC
- B. Other Related Parties with whom the company had transactions etc.**
- (i) **Fellow Subsidiaries** :
- Brooke Bond Assam Estates Ltd.
  - Brooke Bond Group Ltd.
  - Brooke Bond South India Estates Ltd.
  - Lever Faberge UK
  - Lipton Ltd.
  - HO Lipton Ltd.(Head Office)/Lipton Tea Supply Ltd.
  - Unilever U.K. Central Resources Ltd.
  - Unilever Overseas Holdings Ltd.
  - Van den Bergh Foods
  - Unilever Australia Export Pty. Ltd.
  - Unilever Australia Ltd.
  - Lever Rexona
  - Lever Brothers Bangladesh Ltd.
  - Unilever Canada
  - Unilever Cote d'Ivoire
  - Unilever Ghana Ltd.
  - Unilever Kenya Ltd.
  - Unilever (Malaysia) Holdings Sdn. Berhad
  - UL New Zealand Ltd.
  - Lever Rexona Division
  - Lever Brothers Pakistan Ltd.
  - Unilever Singapore Pte Ltd.
  - Lever Pond's
  - Unilever South Africa (Pty.) Ltd.
  - Unilever Ceylon Ltd.
  - Unilever Overseas Holdings AG
  - Lever Brothers West Indies Ltd.
  - Unilever Uganda Ltd.
  - Unilever Research Laboratory, Port Sunlight
  - Unilever Research Laboratory, Colworth House
  - BB Kenya Group
  - Unilever N.V.
  - Unilever Overseas Holdings B.V.
  - Unilever Brazil Ltd.
  - Lever Chile S.A.
  - Unilex Cameroun S.A.
  - Unilever France S.A.
  - Unilever International Paris
  - Unilever Deutschland GmbH
  - Lever Faberge Deutschland GmbH
  - Unilever Hong Kong Ltd.
  - BBL Japan K.K.
  - Nippon Lever K.K.
  - Safial B.V.
  - Unilever Philipines (Prc), Inc.
  - Unilever Thai Holdings Ltd.
  - Unilever Sanayi ve Ticaret Turk A.S
  - Unilever Home & Personal Care USA
  - Lever Maroc S.A.
  - Fine Tea Co.
  - Lever Egypt SAE
  - Unilever (Shanghai) Co. Ltd.
  - Lipton Division
  - Lever Arabia Ltd.
  - Towells Lever LLC

		Lever Brothers Nigeria Ltd. Severn Gulf FZE Lipton Soft Drinks (Ireland) Lever Israel Elida P/S Thani Mursid Lever LLC Unilever CR Unilever Polska - Corporate Lever International Marine Supplies (LIMS) BV Unilever Gulf Free Zone Establishment Unilever (China) Ltd. Lever Fattal Unilever South Central Europe Unilever Baltic LLC Unilever Levant Unilever Tuketim Urunleri Sat Pazarlama Ticaret A.S. Unilever SNG Unilever Ukraine Unilever Tuketim Mersin Serbest Bolge Subesi Unilever Dominicana S.A. Elida Faberge Ltd. Towells Lever LLC, Arabia Thani Murshid Sons & African and Eastern LLC, Arabia Binzagr Lever Ltd. Unilever Market Development East Africa Industries Ltd. Hind Lever Chemicals Ltd. Unilever Industries Private Ltd. Digital Securities Private Ltd.
(ii)	<b>Joint Ventures</b>	: SC Johnson Products Pvt. Ltd. Kimberly Clark Lever Ltd. Quest International India Ltd. Lever Gist Brocades Ltd.
(iii)	<b>Key Management Personnel</b>	: M.S. Banga M.K. Sharma A.S. Abhiraman A. Adhikari V. Balaraman (upto 30th, June 2002) S.K. Dhall G. Kapur A.K. Mathur J.H. Mehta S. Ravindranath D. Sehgal G. Singh D. Sundaram A. Weijburg
(iv)	<b>Employees' Benefit Plans where there is significant influence</b>	: Hindustan Lever Gratuity Fund The Union Provident Fund The Hind Lever Provident Fund The Hind Lever Pension Fund



## Related Party Disclosures

Disclosure of transactions between the Company and Related parties and the status of outstanding balances as on 31st December, 2002

			Rs. lakhs
(i)	<b>Holding Company</b>	:	
		Dividend paid	397,40.34
		Royalty paid	52,52.74
		Outstanding payables at the year end	13,00.00
(ii)	<b>Fellow Subsidiaries</b>	:	
		Sale of finished goods/raw materials etc.	541,58.53
		Sale of fixed assets	8,34.11
		Sale of investments	439,85.74
		Interest received on sale of investments	13,11.53
		Royalty received	77.14
		Dividend received	10,33.92
		Interest received	61.39
		Income from services rendered	80,19.22
		Expenses shared by a fellow subsidiary	6,96.09
		Processing charges paid	48,96.53
		Purchase of goods	83,94.68
		Purchase of fixed assets	5,01.00
		Purchase of investments	458,44.40
		Interest paid on purchase of investments	13,72.15
		Advertising Expenditure	2,16.75
		Dividend paid	170,02.14
		Royalty paid	1,93.52
		Unsecured loans	
		– Repaid during the year	6,59.73
		Advances and loans :	
		– Receivables	109,84.67
		– Payables	10,96.76
(iii)	<b>Joint Ventures</b>	:	
		Purchase of goods	58,80.66
		Interest received	0.46
		Purchase of fixed asset	4.68
		Sale of fixed asset	17.95
		Advances and loans	
		– Inter Corporate Deposits :	
		– Advanced during the year	15.00
		– Repayments during the year	52.00
		– Payables	25.74
(iv)	<b>Key Management Personnel</b>	:	
		Remuneration	13,87.34
		Rent	14.84
		Dividend Paid	8.79
		Advances and progress payments -Property Development Activity	
		– Outstanding at the year end	89.85
		– Received during the year	10.21
		Loans	
		– Outstanding at the year end	5,32.81
		– Given during the year	1,01.54
		– Repayments during the year	5,29.05
(v)	<b>Employees' Benefit Plans where there is significant influence</b>	:	
		Contributions during the year	34,67.41
		Outstanding receivables at the year end	15,70.87



## Report of the Auditors to the Board of Directors of Hindustan Lever Limited

1. We have audited the attached consolidated balance sheet of Hindustan Lever Limited and its subsidiaries as at 31 December, 2002, the consolidated profit and loss account for the year ended on that date annexed thereto, and the consolidated cash flow statement for the year ended on that date. These consolidated financial statements are the responsibility of Hindustan Lever Limited's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are prepared, in all material respects, in accordance with an identified financial reporting framework and are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.
3. We did not audit the financial statements of certain subsidiaries, whose financial statements reflect total assets of Rs.40,23.27 Lakhs as at 31 December, 2002 and total revenues of Rs.80,74.83 Lakhs for the year ended on that date. These financial statements have been audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included in respect of these subsidiaries, is based solely on the report of the other auditors.
4. We report that the consolidated financial statements have been prepared by the company in accordance with the requirements of Accounting Standard 21, Consolidated Financial Statements, issued by the Institute of Chartered Accountants of India and on the basis of the separate audited financial statements of Hindustan Lever Limited and its subsidiaries included in the consolidated financial statements.
5. On the basis of the information and explanations given to us and on consideration of the separate audit reports on individual audited financial statements of Hindustan Lever Limited and its aforesaid subsidiaries, in our opinion, the consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:
  - (a) in the case of the consolidated balance sheet, of the consolidated state of affairs of Hindustan Lever Limited and its subsidiaries as at 31 December, 2002;
  - (b) in the case of the consolidated profit and loss account, of the consolidated results of operations of Hindustan Lever Limited and its subsidiaries for the year ended on that date;
  - and
  - (c) in the case of the consolidated cash flow statement, of the consolidated cash flows of Hindustan Lever Limited and its subsidiaries for the year ended on that date.

For A.F. FERGUSON & CO.  
Chartered Accountants

For LOVELOCK & LEWES  
Chartered Accountants

S.R. Tata  
(Partner)

Thomas Mathew  
(Partner)

Mumbai: 29th January, 2003.



## Statement Pursuant to Section 212 of the Companies Act, 1956

Name of the Subsidiary Company	Financial Year Ending of the Subsidiary	Number of Shares Held	Extent of Holding	For Financial Year of the Subsidiary		For the Previous Financial Years since it became a subsidiary	
				Profits/(losses) so far it concerns the members of the Holding Company and not dealt with in the books of Account of the Holding Company (Except to the extent dealt with in Col. 6)	Profits/(losses) so far it concerns the members of the Holding Company and not dealt with in the books of Account of the Holding Company	Profits/(losses) so far it concerns the members of the Holding Company and not dealt with in the books of Account of the Holding Company (Except to the extent dealt with in Col. 8)	Profits/(losses) so far it concerns the members of the Holding Company and not dealt with in the books of Account of the Holding Company
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Lipton India Exports Limited	31.12.2002	4,80,000	100.00%	Rs. lakhs 1,06.12	Rs. lakhs —	Rs. lakhs 252,31.54	Rs. lakhs 136,80.00
Indexport Limited	31.12.2002	25,10,000	100.00%	(5,37.41)	—	108,14.50	60,86.75
Bon Limited	31.12.2002	50,000	100.00%	(40.29)	—	59.51	—
Nepal Lever Limited - (Nepalese Rs.)	16.07.2002	7,36,560	80.00%	3,40.85	6,99.73	32,16.94	8,09.48
- (Indian Rs.)	(Ashaad 32, 2059)			2,13.03	4,37.82	20,10.59	5,05.76
Lever India Exports Limited	31.12.2002	30,000	100.00%	37,08.04	18,00.00	133,12.98	102,51.00
Merryweather Food Products Limited	31.12.2002	8,46,000	100.00%	(1,11.43)	—	(3,72.26)	—
International Fisheries Limited	31.12.2002	2,96,240	99.98%	(49.40)	—	(5,16.28)	—
KICM (Madras) Limited	31.12.2002	5,840	100.00%	(82.42)	—	4,21.84	—
Modern Food Industries (India) Limited*	31.12.2002	1,47,549	100.00%	(15,76.88)	—	(39,31.77)	—
Daverashola Tea Company Limited	31.12.2002	12,000	100.00%	3.36	—	13.92	—
Pond's Exports Limited	31.12.2002	2,00,003	100.00%	(3,23.12)	—	2.81	—
Thiashola Tea Company Limited	31.12.2002	50,000	100.00%	0.52	—	6.24	—
The Doolia Tea Company Limited	31.12.2002	5,000	100.00%	(0.57)	—	0.53	—
Rosell Industries Limited	31.12.2002	61,07,037	60.35%	(8,03.13)	—	4,78.30	—
TOC Disinfectants Limited**	31.12.2002	5,50,00,120	50.00%	(4,41.01)	—	—	—

Changes in Company's interest in Nepal Lever Limited between 16th July, 2001 to 31st December, 2001 : **NIL**Material Changes between 16th July, 2001 and 31st December, 2001 in respect of the fixed assets of, investments of, moneys lent and moneys borrowed (other than meeting current liabilities) by Nepal Lever Ltd : **NIL**  
\* 147,549 shares of 147,550 shares are held by Hindustan Lever Limited

\*\* 55,000,120 shares of 110,000,160 shares are held by Indexport Limited and Lever India Export Limited

**Note :** Hindustan Lever Limited held the whole of the paid-up capital of Levers Associated Trust Limited, Levindra Trust Limited and Hindlevar Trust Limited which were non-profit making organisations.

M. S. Banga	Chairman
M. K. Sharma	Vice Chairman
D. Sundaram	Finance Director
P. Kabra	Group Controller
O. P. Agarwal	Company Secretary

Mumbai : 29th January, 2003

# Code of Business Principles

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## Standard of Conduct

Unilever Group of Companies in India conduct their operations with honesty, integrity and openness, and with respect for the human rights and interests of their employees.

We shall similarly respect the legitimate interests of those with whom we have relationships.

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## Obeying the Law

Unilever companies and employees are required to comply with the laws and regulations of the countries in which we operate.

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## Employees

We are committed to diversity in a working environment where there is mutual trust and respect and where everyone feels responsible for the performance and reputation of our company.

We will recruit, employ and promote employees on the sole basis of the qualifications and abilities needed for the work to be performed.

We are committed to safe and healthy working conditions for all employees. We will not use any form of forced, compulsory or child labour.

We are committed to working with employees to develop and enhance each individual's skills and capabilities.

We respect the dignity of the individual and the right of employees to freedom of association.

We will maintain good communications with employees through company based information and consultation procedures.

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## Consumers

We are committed to providing branded products and services which consistently offer value in terms of price and quality, and which are safe for their intended use. Products and services will be accurately and properly labelled, advertised and communicated.

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## Shareholders

We will conduct our operations in accordance with internationally accepted principles of good corporate governance. We will provide timely, regular and reliable information on our activities, structure, financial situation and performance to all shareholders.

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## Business Partners

We are committed to establishing mutually beneficial relations with our suppliers, customers and business partners.

In our business dealings we expect our partners to adhere to business principles consistent with our own.

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## Community Involvement

We strive to be a trusted corporate citizen and, as an integral part of society, to fulfill our responsibilities to the societies and communities in which we operate.

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## Public Activities

Unilever companies are encouraged to promote and defend their legitimate business interests.

We will co-operate with governments and other organisations, both directly and through bodies such as trade associations, in the development of proposed legislation and other regulations which may affect legitimate business interests.

Unilever companies neither support political parties nor contribute to the funds of groups whose activities are calculated to promote party interests.

## The Environment

We are committed to making continuous improvements in the management of our environmental impact and to the longer-term goal of developing a sustainable business.

We will work in partnership with others to promote environmental care, increase understanding of environmental issues and disseminate good practice.

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## Innovation

In our scientific innovation to meet consumer needs we will respect the concerns of our consumers and of society. We will work on the basis of sound science, applying rigorous standards of product safety.

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## Competition

We believe in vigorous yet fair competition and support the development of appropriate competition laws. Unilever companies and employees will conduct their operations in accordance with the principles of fair competition and all applicable regulations.

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## Business Integrity

Unilever companies do not give or receive, whether directly or indirectly, bribes or other improper advantages for business or financial gain. No employee may offer, give or receive any gift or payment which is, or may be construed as being, a bribe. Any demand for, or offer of, a bribe must be rejected immediately and reported to management.

The companies' accounting records and supporting documents must accurately describe and reflect the nature of the underlying transactions. No undisclosed or unrecorded account, fund or asset will be established or maintained.

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## Conflicts of Interest

All Unilever employees are expected to avoid personal activities and financial interest which could conflict with their responsibilities to the company.

Unilever employees must not seek gain for themselves or others through misuse of their positions.

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## Compliance - Monitoring - Reporting

Compliance with these principles is an essential element in our business success. The Boards of Unilever Companies are responsible for ensuring these principles are communicated to, and understood and observed by, all employees.

Day-to-day responsibility is delegated to the senior management of the operating companies. They are responsible for implementing these principles, if necessary through more detailed guidance tailored to local needs.

Assurance of compliance is given and monitored each year. Compliance with the Code is subject to review by the Board supported by the Audit Committee of the Board and the Corporate Risk Committee.

Any breaches of the Code must be reported in accordance with the procedures specified. The Boards will not criticise management for any loss of business resulting from adherence to these principles and other mandatory policies and instructions.

The Board expects employees to bring to their attention, or to that of senior management, any breach or suspected breach of these principles.

Provision has been made for employees to be able to report in confidence and no employee will suffer as a consequence of doing so.



